Farabi Fakih

The Rise of the Managerial State in Indonesia

Institutional Transition during the Early Independence Period. 1950-1965.





DEPARTEMEN SEJARAH
FAKULTAS SASTRA
UNIVERSITAS
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The Rise of the Managerial State in Indonesia: Institutional Transition during the Early Independence Period. 1950-1965.

Farabi Fakih



Universiteit Leiden



The Rise of the Managerial State in Indonesia: Institutional Transition during the Early Independence Period. 1950-1965.

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The act of writing a PhD dissertation is a very individual process but it is one rarely conducted in solitude. It requires a bevy of social and institutional scaffoldings that would allow the PhD student to maintain intellectual and emotional integrity. As is the case with all students, behind me lies a veritable society of people who have, in each unique way, helped me along a path riddled with confusion, angst, humiliation and ultimately joy and happiness. The strength of one individual is the addition of the support of a community of individuals that have gone out of their way to help. I am so very fortunate to be part of a community that has allowed me to weather adversity and frequent doubts. It was a tortuous, intellectual journey that was hard but ultimately worthwhile. Along the way, I have befriended people whose honesty, integrity and kindness was as central a component as the hard work needed to finish off the project. Living in the Netherlands for seven years has forced upon me challenging perspectives and changed previously long held assumptions. The people below all helped me in various ways.

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In 2006, I came to the Netherlands bereft of any preconceived ideas or friends, as part of the first batch of Encompass group. Living together in the Nieuwe Rijn no. 97 was a solid experience that tested my ability to socialize with people and in the process I obtained great friends and companions. The people at the Encompass group have acted as true friends and great support. This includes the ever diligent 'tante' Marijke van Wissen - van Staden, and the coordinators Dr. Alicia Schrikker, Dr. Monique Erkelens, Dr. Carolien Stolte and Dr. Andreas Weber. The impeccable Dutch lessons given by Yolanda Spaans and René Wezel are a treasure that I will keep for the rest of my life. I would also like to thank Dr. Murari Kumar Jha and Bede Moore for the entertaining discussions we've had on the third floor. Thanks also to Dr. Abdul Wahid, Nadya Fauziah, Nugie, Li Wen, Nilushi and all the other first batch Encompass students for their companionship. Later batches of Encompass were equally great company. Special thanks to Ariel Lopez, Pimmanus Wibulsilp, Uji Nugroho, Yedda Palemeq, Seng Guo Quan, Hying Jeenmai, Maretta Kartika Sari, Yudi Bachrioktora, Johny Kusyairi, Widaratih Kamiso, Intan Wibisono, Widiarso and Anastasya Wulandari, Jajang Nurjaman, Ravando Lie, Anda Zara, Nguyen Bao Trang, Yulisant Yulianti, Maria Inggrid and many others.

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List of Principal Abbreviations

AHM	:	Akademi Hukum Militer (Military Law Academy)
APDN	:	Akademi Pemerintahan Dalam Negeri (Academy of the Interior Government)
Banas	:	Badan Nasionalisasi (Nationalization Body)
Bapekan	:	Badan Pemeriksa Kegiatan Aparatur Negara (Body for the Surveillance of the Activities of State Apparatus) Bappenas: Badan Perentjanaan Pembangunan Nasional (Body for the Planning of National Development)
Bakopda	:	Badan Koordinasi Pembangunan Daerah (Regional Development Coordinating Body)
Bamunas	:	Badan Musyawarah Pengusaha Nasional Swasta (Consultation Body for Private National Business)
Baperdep	:	Badan Perantjang Departemen (Departemental Planning Body)
Bappit	:	Badan Penjelenggara Perusahaan2 Industri Tambang (Body for the Administration of Mining Industry Companies)
BPN	:	Badan Perantjang Negara (State Planning Body)
BPU	:	Badan Pimpinan Umum (General Leadership Board)
BUD	:	Badan Urusan Dagang (Body forTrading Purposes)
CPM	:	Corps Polisi Militer (Military Police Corps)
Depernas	:	Dewan Perantjang Nasional (National Planning Council) ECA: Economic Cooperation Administration
FEUI	:	Fakultas Ekonomi Universitas Indonesia (Faculty of Economics, University of Indonesia)
ICA	:	International Cooperation Administration

KMA	:	Koninklijke Militer Academy (Royal Military Academy)
KNIL	:	Koninklijke Nederlandsch Indie Leger (Royal Dutch East IndiesArmy)
KOTI	:	Komando Operasi Tertinggi (High OperationCommand)
KOTOE	:	Komando Tertinggi Operasi Ekonomi (High Command for Economic Operation)
LAN	:	Lembaga Administrasi Negara (State Administration Institute)
Leknas	:	Lembaga Ekonomi dan Kemasyarakatan Nasional (National Institute for Economyand Society)
LPEM	:	Lembaga Penjelidikan Ekonomi dan Masjarakat (Institutefor Research on the Economyand Society)
MIT-CENIS	:	Massachusetts Institute of Technology – Center for International Studies
Menko-Uppenas	:	Menteri Koordinator-Urusan Perentjanaan Pembangunan Nasional (Minister Coordinator for National Development Planning)
MIPI	:	Madjelis Ilmu Pengetahuan Indonesia (Indonesian Council of Sciences)
Muppenas	:	Musyawarah Pembangunan Nasional (National Development Consultation)
NMM	:	Nederlandsche Militaire Missie (Netherlands Military Mission)
Paran	:	Panitya Retooling Aparatur Negara (Committee on the Retooling of State Apparatus)
PSI	:	Partai Sosialis Indonesia (Indonesian Socialist Party)
Peperpu	:	Penguasa Perang Pusat (Central Martial Law Administration)
PETA	:	Pembela Tanah Air (Defender of the Home Land)
Putaba	:	Pusat Tenaga Bangsa Asing (Centre for Foreign Employee)
RPKAD	:	Resimen Pasukan Komando Angkatan Darat (Army Command Regiment – Strike Force Regiment)
Seskoad/SSKAD	:	Sekolah Staf dan Komando Angkatan Darat (Army Staff and Command School)

TNI	:	Tentara Nasional Indonesia (Indonesia National Army)
UGM	:	Universitas Gadjah Mada
UNTAA	:	United Nations Technical Assistance Administration

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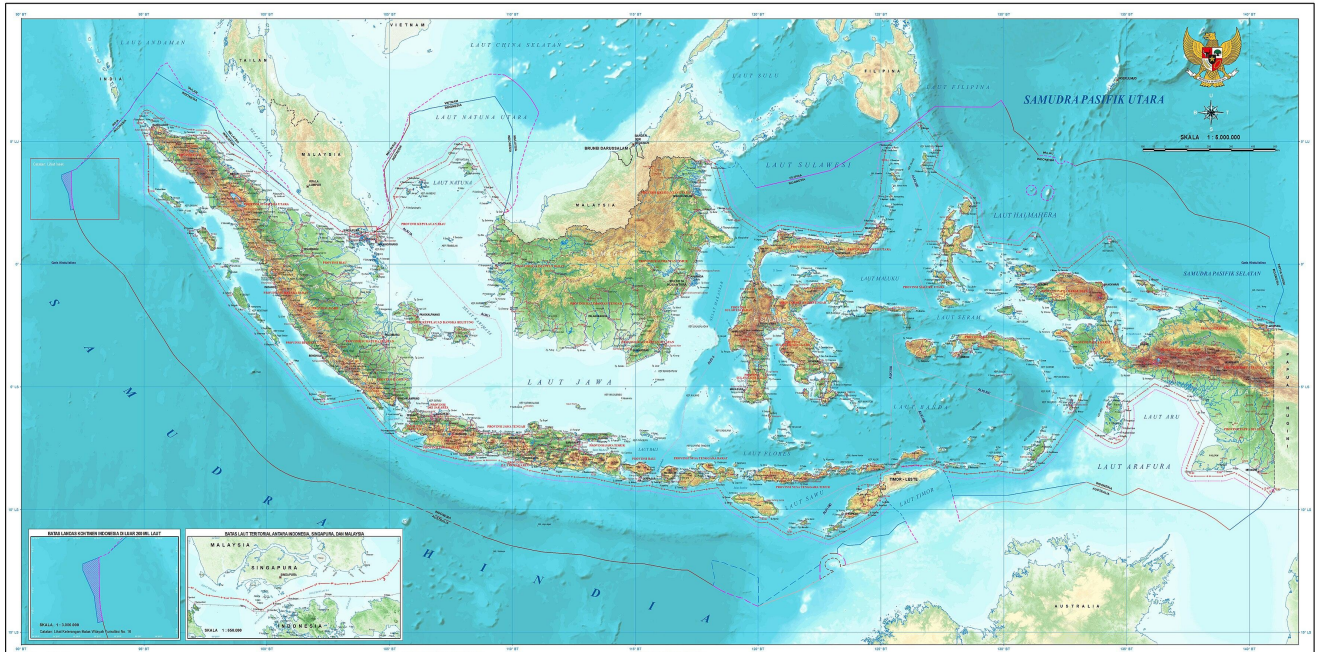
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PETA NEGARA KESATUAN REPUBLIK INDONESIA



Disusun oleh :

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Edisi Tahun 2020

Datum Horizontal : Sistem Referensi Geospasial Indonesia 2013 (SRGI 2013)
Datum Vertikal : Earth Gravity Model 2008 (EGM08)

Batas 200 M
Batas ZEE kesepakatan dalam Kod/Dasi
Batas ZEE dan Landas Kontinen
Batas ZEE dan Landas Kontinen Indonesia (230 mil laut)
Batas ZEE dan Landas Kontinen kesepakatan
Batas Laut Teritorial
Batas Laut Teritorial yang kesepakatan
Batas Area Kerjasama
Garis Pangkal
Garis Pantai
Batas Laut Nusantara Indonesia (ALKI)
Batas Wilayah Indonesia di antara Laut Teritorial dan Landas Kontinen ZEE dan Landas Kontinen Zona Ekonomi Eksklusif Indonesia
Batas Wilayah Indonesia di antara Laut Teritorial dan Landas Kontinen ZEE dan Landas Kontinen Zona Ekonomi Eksklusif Indonesia
Batas Wilayah Indonesia di antara Laut Teritorial dan Landas Kontinen
Batas Landas Kontinen kesepakatan Indonesia-Malaysia
Batas Landas Kontinen kesepakatan
Landas Kontinen Indonesia di Luar 200 MIL Laut

Singkatan :

P.	Pulau
Kep.	Kepulauan
S.	Selat
Tg.	Tanjung
P.	Pulau
K.	Kepulauan
Sr.	Siri
T.	Tim
S.	Sangat
K.	Kecil
B.	Barat
T.	Timur
U.	Utara
S.	Selatan

Kedalaman/Ketinggian (meter)

Tanah/Daratan	>1000 m
	200 - 1000 m
	100 - 200 m
	50 - 100 m
	25 - 50 m
	20 - 25 m
	15 - 20 m
	10 - 15 m
	5 - 10 m
	0 - 5 m

Kedalaman :

0 - 25 m	
25 - 50 m	
50 - 100 m	
100 - 200 m	
200 - 500 m	
500 - 1000 m	
1000 - 2000 m	
2000 - 3000 m	
3000 - 4000 m	
>4000 m	

PETA NEGARA KESATUAN REPUBLIK INDONESIA

Peta ini menggambarkan wilayah kedaulatan Negara Kesatuan Republik Indonesia di darat dan laut, baik berupa laut teritorial (laut wilayah), perairan kepulauan, dan perairan pedalaman, serta hak kedaulatan Indonesia di Zona Tambahan, Zona Ekonomi Eksklusif, dan Landas Kontinen. Penggambaran wilayah kedaulatan Indonesia di laut mengacu pada Undang-Undang Republik Indonesia Nomor 6 Tahun 1996 tentang Perairan Indonesia, serta sesuai dengan prinsip-prinsip hukum internasional. Peta ini dibuat berdasarkan batas Negara yang telah disepakati antara Republik Indonesia dengan negara-negara tetangganya.

KONTRIBUTOR

Kementerian Koordinator Bidang Politik, dan Keamanan; Kementerian Koordinator Bidang Pembangunan, Kementerian Dalam Negeri; Kementerian Luar Negeri; Kementerian Pertahanan; Kementerian Hukum; Kementerian Kelautan; Kementerian Energi dan Sumber Daya Mineral; Kementerian Perhubungan; Kementerian Kehutanan; Kementerian Perdagangan; Kementerian Perindustrian; Kementerian Kelautan dan Perikanan; Kepolisian Negara Republik Indonesia; Badan Koordinasi Laut Republik Indonesia; Badan Informasi Geospasial; Badan Riset dan Inovasi Nasional; Badan Pusat Statistik; Dan Pemerintah Daerah.

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1. Keputusan Presiden RI/ Nomor 154 Tahun 2000 tentang Penetapan Data Geospasial Dasar dan Peta Rupabumi Indonesia Skala Tetap.
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3. Sistem Referensi Geospasial Nasional (SRGN) versi 2.0 dan ICSTRO v1 ver2.2.0.
4. Data batas sebuah kabupaten/kota adalah batas daerah otonom sebagaimana Peraturan Menteri Dalam Negeri.
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7. Peta Zona Ekonomi Eksklusif Wilayah Kepulauan Indonesia skala 1 : 1.000.000, SYAHROOL704-KL, 2015.
8. Peta Garis Pangkal Wilayah Negara Kepulauan Indonesia skala 1 : 350.000, SYAHROOL704-KL, 2015.
9. Peta Batas Maritim Indonesia dengan Negara Tetangga.

Catatan : Untuk penentuan posisi pulau-pulau terluar Indonesia, digunakan Jaringan Pusaran Pemetaan Nomor 38 Tahun 2002 tentang Daftar Koordinat Geografi titik-Titik Garis Pangkal Kepulauan Indonesia sebagaimana telah diubah dengan Peraturan Pemerintah Nomor 37 Tahun 2008 tentang Perubahan Atas Peraturan Pemerintah Nomor 38 Tahun 2002 tentang Daftar Koordinat Geografi Titik-Titik Garis Pangkal Kepulauan Indonesia.

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15. Undang-Undang Nomor 1 Tahun 2017 tentang Perubahan Kedua Undang-Undang Nomor 23 Tahun 2006 tentang Administrasi Kependudukan.
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NEGARA KESATUAN REPUBLIK INDONESIA

Negara Kesatuan Republik Indonesia (NKRI) merupakan Negara Kepulauan (Archipelagic State) yang berbatasan dengan 10 (sepuluh) negara, 3 (tiga), Indonesia berbatasan dengan Malaysia, Papua Nugini, dan Timor-Leste, Sebanyak 41 laut, Indonesia berbatasan dengan India, Malaysia, Singapura, Filipina, Vietnam, Palau, Papua Nugini, Australia, dan Timor-Leste.

I. WILAYAH DARAT NKRI

Wilayah darat NKRI terdiri atas daratan pada semua pulau yang tersebar di wilayah dalam garis pangkal Kepulauan Indonesia. Khusus di P. Kalimantan, P. Sebatik, P. Papua dan P. Timor berbatasan dengan perairan sebagai berikut:

1. Batas negara dengan Malaysia di P. Kalimantan dan Sebatik mengacu kepada perjanjian batas antara Pemerintah Inggris dan Pemerintah Belanda tanggal 20 Juni 1891 dan 28 September 1915, Perjanjian Indonesia dan Malaysia tanggal 27 April 1928, 12 Mei 1958, 7 Maret 1970, 10 Juni 1973, 22 Januari 1979, Memorandum of Understanding (MoU) tanggal 26 November 1973 tentang Pengukuran Bersama Batas Darat, Memorandum of Understanding (MoU) tanggal 29 Desember 1976 tentang Pengukuran Bersama Batas Darat, Memorandum of Understanding (MoU) tanggal 29 Desember 1976 tentang Pengukuran Bersama Batas Darat, Exchange of Notes tanggal 10 Juni 1997 dan 29 Juli 1997 tentang Pengukuran Bersama Batas Darat, Agreement tanggal 11 November 1997 tentang Pengukuran Bersama Batas Darat, Agreement tanggal 12 November 1997 tentang Pengukuran Bersama Batas Darat, Agreement tanggal 13 November 1997 tentang Pengukuran Bersama Batas Darat, Agreement tanggal 14 November 1997 tentang Pengukuran Bersama Batas Darat, Agreement tanggal 15 November 1997 tentang 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Introduction

In 1954, the famous American sociologist Edward Shils (1910-1995) in a talk in Italy proclaimed that the only possible form of government was a democratic welfare state and that, effectively, ideology had ended, because, in principle, both Western and Eastern Blocs agreed to a state-led development strategy.[1] In the early nineties, Francis Fukuyama would proclaim the same with an even more boastful pronouncement: the end of history.[2] Of course, Shils and Fukuyama were talking about very different ideas; Shils was promoting the ideology of state-led, technocratic modernization, while Fukuyama was celebrating the return of liberal ideas and the market place. Both cases show the importance of the reigning paradigm of their respective period. The rise of such international paradigms that traverse ideological and geographical boundaries is related to the inherently interrelated and international connections that have been bonding states and societies together since the advent of the modern world.[3]

The present dissertation intends to analyze and locate one of the most perplexing occurrences in the modern history of Indonesia: the rather abrupt transformation from a weak, incapable, liberal-democratic state *in statu nascendi* that failed to develop into a strong corporatist and development-oriented 'New Order' state with a military-technocratic elite at the helm.

1 Nils Gilman, *Mandarins of Modernity Modernization Theory in Cold War America*, (Baltimore: The John Hopkins University Press, 2003), p. 58.

2 Francis Fukuyama, *The End of History and the Last Man*, (New York: Simon and Schuster, 1992).

3 Christopher Bailey, *The Birth of the Modern World, 1780-1914*, (Oxford: Blackwell, 2004), p. 1-21.

This transformation occurred between 1957 and 1965. About the question by Herbert Feith in his 1962 magnum opus[4] why Indonesia failed its first liberal democratic experiment, the Yale historian Harry Benda said that the question was put in the wrong order. There was no reason to believe that the Indonesian had the tradition to support democracy. The question was why would Indonesia develop a liberal democratic society in the first place?[5] Nonetheless, a democratic society did appear after the end of the New Order regime in 1998 and by all accounts, it seems to be rather successful. Looking from a Post-Soeharto perspective, the pressing question now is how the New Order project could ever successfully start in the first place.

The purpose of the thesis is to locate the roots of the New Order state by looking at the development of its managerial elite and the institutions that allowed its emergence. The changing ideas and ideology of the elite concerning the relationship between the state and the society forms an important component in the analysis. When the Dutch after four years of struggle acceded to Indonesian demands and acknowledged Indonesian independence by late 1949, they left behind a feeble state with grave deficiencies in manpower and expertise. The leading question then is: how did a state with such little colonial endowment and even institutional damage,[6] succeed in joining the ranks of what the World Bank has termed 'the East Asian miracle economies with sustained and equitable growth?'[7] At the same time, how did it also become a violent state, whose relationship with its people was developed within a discourse that put the managing apparatus above and beyond the control of the feeble rule of law?[8] How, in fact, did the rule of law become so lax, even in comparison to its colonial version?[9] Are both these questions connected and, if so, in what way?

4 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*, (Ithaca: Cornell University Press, 1962).

5 Harry Benda, "Democracy in Indonesia. Review Article" in *The Journal of Asian Studies*, Vol. 23, No. 3, May 1964, p. 449-456.

6 Daan Marks, "The Economic Consequences of Decolonization. The 'special' case of Indonesia" in Thomas Lindblad (ed.), *Indonesian Economic Decolonization in Regional and International Perspectives*, (Leiden: KITLV Press, 2009), p. 157-174.

7 *The East Asian Miracle. Economic Growth and Public Policy*, (Washington: World Bank, 1993).

8 Ariel Heryanto, *State Terrorism and Political Identity in Indonesia. Fatally Belonging*, (London: Routledge, 2006), p. 106-134.

9 Daniel Lev, "The Politics of Judicial Development in Indonesia" in *Comparative Studies in Society and History*, Vol. 7, No.2, January 1965, p. 173-199.

In order to start trying to answer these questions, I shall focus on the period that has been steadfastly shunned by the official historians of the New Order: the Old Order and its two distinct forms of state-society relations: Parliamentary Democracy (1946-1957) and Guided Democracy (1957-1965). Significantly, the series of constitutional and institutional experiments that were conducted after 1957 during the Guided Democracy had lasting effects for Indonesian state-society relations in the second half of the twentieth century. The story of the post-colonial Indonesian state has been primarily about the shift from a 'liberal' colonial state toward a corporatist;[10] military-technocratic Developmental State called the New Order. New Order historiography delineates that post-colonial Indonesian history into two periods; the Old Order (1945 to 1965) and the New Order (1965/66 to 1998).[11] The Old Order is depicted as morally and economically bankrupt and its liberal character is seen as the root of the problem: an active society with too many rather ineffective political parties diminished the state's capacity to project its power and implement development policies. In addition to this a laissez faire economic system allowed the continuation of a large percentage of the economy to remain under foreign domination. This portrayal ignores that the Old Order contained two successive quite distinct regimes. By lumping together the Parliamentary Democracy and the Guided Democracy period the historians of the New Order have sought to distance themselves from President Sukarno's political experiments. By contrast, the New Order represent a cadre of elite Indonesian managers, a strong and capable state and robust economic growth and thus seems to fit the theory of the Princeton political scientists Atul Kohli who has stressed that "…the creation of effective states within the developing world has generally preceded the emergence of industrializing economies."[12] The question then

10 David Reeve "The corporatist state: the case of Golkar" in *State and civil society in Indonesia* (1990): 151-176, Dwight King, *Authoritarian Rule and State Corporatism in Indonesia*, (S.l.: s.n., 1977).

11 Gerry van Klinken, "The Battle of History after Soeharto" in *Critical Asian Studies*, Vol. 33, No. 3 July 2001, p. 323-350.

12 The image of the New Order as a corporate/technocratic state or bureaucratic polity stand in contrast to those who view its powers as highly dispersed with the image of the patron-client. For more on the variety of ways specialist view the New Order state, see Donald K. Emmerson, "Understanding the New Order. Bureaucratic Pluralism in Indonesia" in *Asian Survey*, Vol. 23, No. 11, November 1983, p. 1220-1241. Atul Kohli, *State-directed development*, *Political power and industrialization in the global periphery*, (Cambridge: Cambridge University Press, 2004), p. 2.

poses itself whether the relatively effective state that quite suddenly appeared in the form of the New Order, could it also have developed the way it did without the Guided Democracy state as precursor?

The economist Douglass North has explained that the performance of an institution is heavily dependent on the way its actors perceive its function and use.[13] Economic growth is determined by the type of ideology and its institutional expression that reduce the transaction costs in the economy. Thus the ideology that encapsulates the institution and its participating actors is portrayed as central toward its effectiveness.

In response to these arguments this dissertation will seek to embed Indonesian development during the period concerned in an international context. By this I mean to say that the prevailing ideologies and institutions in the post war period were part and parcel of a shift away from classical liberalism of the early twentieth century and of the revolution that heralded the abandonment of the Gold Standard, the rise of the Five Year Plan, the New Deal and Corporate Fascism.[14] The post-colonial rise of the developmental state should be seen in the context of the rise, in the West, of the Welfare State. The notion of efficiency, coordination and national planning as a natural human striving had become *reality as such*. For much of the twentieth century, the developmental model that reigned supreme focused on state-led collectivist incorporation, which often times brushed aside individual freedom.[15] The post Second World War period witnessed the rise of both the post-colonial International aid structure and the higher educational system, led by the United States of America. These developments deeply influenced the native elites of the various newly created nations who went to study abroad or welcomed Western consultants at home.

In relation to the rise of state-led developmentalism in Indonesia, this thesis furthermore argues that the ideological differences of the Cold War lay not between the formal Blocs led by the United States of America and

13 Douglass C. North, *Institutions, Institutional Change and Economic Performance*, (New York: Cambridge University Press, 1990), p. 3-10.

14 Karl Polanyi, *The Great Transformation. The Political and Economic Origins of Our Time*, (Boston: Beacon Press, 1965), p. 20-30.

15 Daniel Lerner had to point out that social science does not jeopardize democracy and individualism to his American audience. "Nothing in the social sciences increases the capacity to manipulate an individual against his will." Daniel Lerner, "Social Science: Whence and Whither" in Daniel Lerner (ed.), *The Meaning of the Social Sciences*, (Cleveland: The World Publishing Company, 1959), p. 13-39.

the Soviet Union, but between the ideologies of state-corporatism and a non-centralized political participation.[16] As Shils remarked, American social scientists acknowledged the "end of ideology" by the mid-1950s pointing out that democratic welfare state represented the only way to organize society, which signified that "the ideological battle against Communism was therefore essentially over."[17] American Third World foreign policy, especially under Kennedy, sought a primarily military solution to the problems of Third World[18] and saw military officers as leaders of modernization.[19] The Cold War offered basically two alternatives as to how elites could control the people. The two alternatives eerily resembled one another: managerial control and military cooptation of the masses.

The Indonesian effort to create a broad-based democratic and participatory society during the 1950s was tragically hampered by the established elite's inherent distrust of the liberal institutions meant to safeguard individual liberty from state tyranny: the rule of law and the court system, the limitation of executive power or *triaspolitica* and a relatively open economy. Both the older nationalist generation and the newer managerial/expert generation grew up in a milieu that was hostile, or at least indifferent, to liberal ideas and institutions. Those who championed non-state participation did so through corporatist means by prying open the state and the economy, i.e. government bodies and company boards, to non-state actors, usually labour or other forms of social organization.

16 James Burnham pointed out the pan-ideological character of the managerial revolution in the early years of World War II: "Fascism-Nazism and Leninism-Stalinism are types of earlier managerial ideologies which have been given organized expression and have already had great success. In this country, Technocracy and the much more important New Dealism are embryonic and less-developed types of primitive, native-American managerial ideologies." James Burnham, *The Managerial Revolution. What is happening in this world*, (New York: John Day Co., 1941), p. 191-192.

17 Nils Gilman, *Mandarins of the Future. Modernization Theory in Cold War America*, p. 58.

18 His Third World strategy was economic development, political reform and military assistance. He recruited social scientists from American universities in order to employ social engineering to various Third World locations. Andrew Brittle, *US Army Counterinsurgency and Contingency Operations Doctrine, 1942-1976*, (Washington: Center of Military History, 2006), p. 223-278. For more detailed account on the ideas of social scientists like Walt Rostow on this idea of bringing forth modernization, often through military means, see Nils Gilman, *Mandarins of the Future. Modernization Theory in Cold War America*, p. 155-202.

19 Rudolf Mrazek, *The United States and the Indonesian Military, 1945-1965. A study of an intervention*, (Prague: Oriental Institute in Academia, 1978), p. 14-17.

The significant growth of an Americanized managerial elites and their cadre of international consultants during the 1950s, exemplified by the economist Sumitro Djojohadikusumo, was an important development for it challenged the primacy of the nationalists. Herbert Feith has alluded to this by his description of the schism between the solidarity maker and the administrator group, but because his thesis focus on politician and stop by the end of the 1950s,[20] he did not analyze the important changes that occurred later on when Indonesians started to return home after graduating from higher education in the United States of America. The Guided Democracy should be seen as an effort by the old, nationalist elite to control both the dangerous rise of upstart managers, whose expansion into the army gave rise to a hybrid army-managerial elite and to control the rise of a raucous civil society, under the control of the Communist party, the PKI. A constitutional revamping was carried out that allowed for the rise of a corporatist state under the control of nationalist politicians. These institutional changes resulted in several things; the rising primacy of the executive as main holder of power to the detriment of the other power holders within the *triaspolitica*. The entire institution of *triaspolitica* itself came under attack and the legal framework of society would be replaced with the pressing need of managerial efficiency. Decomposition of the institution of the rule of law was conducted by both pure neglect and an ideological hostility toward the law itself.[21]

As we will see, an earnest effort was made to create corporatist institutions, one in which participatory organizations (*karyas*) were allowed access to such state institutions as the institution for national planning (Depernas). The failure of this project, the success of the military in uniting and controlling the national territory by military means and the rise of a new generation of American-trained managers and economists meant that by 1962 there would be an institutional shift away from corporatism toward increasing centralization under the authority of the new managerial elite. At the same time, the effort to increase the participation of non-state actors was strengthened through the efforts of the Sukarnoist and Communists to push for greater participation. The tension between these two groups

20 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*, p. 113-122.

21 Sebastiaan Pompe, *The Indonesian Supreme Court. A Study of Institutional Collapse*, (Ithaca: Southeast Asia Program Publications, 2005), p. 35-76, Daniel Lev, "Judicial Authority and the Struggle for an Indonesian Rechtstaat" in *Law and Society Review*, Vol. 13, No. 1, (Fall, 1978), p. 37-71.

increased during the final Sukarno regime and led up to a spectacular and bloody conclusion in 1965.

In order to understand these phenomenon, this dissertation will first of all consult the writings of prominent actors of the period whether nationalists, communists or new experts/managers. Secondly we shall look at the institutional developments in national planning and scientific management/public administration that occurred during the period in connection to the state and its apparatus. These institutions dealt with the state problem of coordination, management, efficiency and corruption. I will focus on institutions that are pertinent to my research such as the military, the national planning board and the expanding higher education system, especially those that specifically produced managers, like the State Administrative Institution (*Lembaga Administrasi Negara*) or the Economics Faculty of the University of Indonesia (*Fakultas Ekonomi Universitas Indonesia*).

Indologist Karl T. Jackson has formulated Indonesian bureaucratic polity as: "a political system in which power and participation in national decisions are limited almost entirely to the employees of the state."[22] He argued this polity started in 1957 and continued on into the New Order.[23] In his study of the Golkar party, Australian Indonesianist David Reeve has described the ideological roots of Indonesian corporatism during the colonial period.[24] This technocratic model of the elite is very often used to understand the New Order state.[25] It is my intention to further develop this idea by analyzing its ideological and institutional development within an international context. I would like to suggest that the transformation of Indonesia from a 'liberal' state into a 'corporatist' Developmental State was possible as a result of the international aid institution and the *Weltanschauung* of state-centered ideas of economic planning and efficiency that were imported into the nation in a new and institutionalized form of elite production: the production of managers/military managers.

22 Karl Jackson, "Bureaucratic Polity: a Theoretical Framework for the Analysis of Power and Communications in Indonesia" in Karl Jackson and Lucian Pye (eds.), *Political Power and Communications in Indonesia*, (Berkeley: University of California Press, 1980), p. 3.

23 *Ibid.*

24 David Reeve, *The Golkar of Indonesia. An alternative to the party system*, (Singapore: Oxford University Press, 1985).

25 John MacDougall, *Technocrats as Modernizers. The Economists of Indonesia's New Order*, (PhD Dissertation University of Michigan, Ann Arbor, 1975), p. 1-17. He pointed out term 'expert' to denote the new non-political generation.

Because of the focus on the elite, non-elite actors hardly come to the foreground of this thesis. In fact, their presence is mostly in the form of elite ideas of non-elite: the masses or the people. The Cornell anthropologist James Siegel brilliantly discussed the strategy of the New Order for the control of the people through counter-revolutionary measures and the ideology of the criminality of the masses.[26] Yet there can be no doubt about it that the ideas of mass control started during Old Order period.

Finally, a few remarks on managerial efficiency. Administrators and managers who did not get managerial education were not necessarily inefficient and the fact that the economy faltered during the Guided Democracy despite having newly educated managers in government companies and offices point to this problem. The New Order state was however a lot more efficient than the Guided Democracy, but this was rather the result of the creation of institutions of control that allowed the state and its technocracy greater power, than because of the quality of managerial production. In any case, corruption was rampant during the New Order.

The End of Liberalism and Elite Control

The New Order regime fell in 1998 under the weight of political and social chaos and economic collapse. A series of legislative measures was produced in order to reinstate a liberal state and society.[27] Parliament was given greater power vis a vis the executive and a new constitutional court was created to control the output of both the legislature and the government.[28] The centralized nature of the managerial state was replaced with an ambitious decentralization program, which effectively transferred authority to the second tier of regional government, the regencies. In effect, Indonesia became a decentralized state composed of over five hundred political units.[29]

26 James T. Siegel, *A New Criminal Type in Jakarta. Counter-Revolution Today*, (Durham: Duke University Press, 1998), p. 11-29.

27 Tim Lindsey, "Indonesian Institutional Reforms: Muddling toward Democracy" in *Singapore Journal of International and Comparative Law*, no. 6, 2002, p. 244-301.

28 Marcus Mietzner, "Political Conflict Resolution and Democratic Consolidation in Indonesia: The Role of the Constitutional Court" in *Journal of East Asian Studies*, Vol. 10, No. 3, September-December 2010, p. 397-242.

29 M. Ryaas Rashid, "The policy of decentralization in Indonesia" in James Alm, Jorge Martinez-Vazquez and Sri Mulyani Indrawati (eds.), *Reforming Intergovernmental Fiscal Relations and the Rebuilding of Indonesia. The Big Bang Program and its Economic Consequences*,

Yet, this was all conducted without a strong political discourse in favour of liberal ideas. Liberalism was still seen as anathema and efforts to push forth liberal ideas on their own weight within the national discourse were treated with suspicion. Ideas like human rights and less government control were argued piecemeal, without them being incorporated into the liberal label. Even today one of the most deadly insults that an Indonesian politician can be subjected to is to call him a neoliberal.[30]

In the West, the shift away from state-based collectivist ideas was conducted by reviving the traditions of classical liberal thoughts in the works of enlightenment philosophers and more recent works by the neoliberal schools of the University of Chicago following on the heels of Austrian economists.[31] Indonesia has no liberal tradition to fall back on. There was very little place for liberalism within the national discourse. Sukarno used liberalism as a bogey man to attack the rise of the economists and managers of the 1950s, yet these people were social democrats and Fabian socialists who believed in greater state control over society. Similarly odd, the only real anti-state positions during the Guided Democracy came from the communists. One may argue that this was the result of their effective position as non-state actors. In either case, all of them were quite hostile with liberal ideas. As a result, there has been kind of schizophrenic condition in the political discourse of the post-New Order period.

Classical liberalism was the product of bourgeois control of European society after the French Revolution. Its ideology was based on the values of the enlightenment; individualism, free-trade, rationalism and a great faith to science and a suspicion of the state as an oppressive institution. Its

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(Cheltenham: Edward Elgar, 2004), p. 65-76 and Widjajanti I. Suharyo, *Indonesia's transition to decentralized government: an evolution at the local level*, (Yogyakarta: Smeru, 2003), Indonesia effectively became a federal state in all but name, see Gabriele Ferazzi, "Using the "F" word: Federalism in Indonesia's decentralization discourse" in *The Journal of Federalism*, Vol. 30, No. 2, Spring 2000, p. 63-85.

30 Neoliberal is also one of those adjective that is used to hurl criticism from a variety of political positions; from political Islam to leftist and nationalists. Similar to the adjective 'liberal' during the 1950s and 1960s, neoliberal vaguely describes the control and machination of a global capitalist order. For instance, see the attack against Vice President Boediono as being a neoliberal in Ismantoro Dwi Yuwono, *Boediono dan (neolib)eralisme*, (Yogyakarta: Biopustaka, 2009).

31 In fact there is a long tradition of valuing individual liberty even when collectivist ideas ran supreme. See Rachel S. Turner, *Neo-Liberal Ideology. History, Concepts and Policies*, (Edinburgh: Edinburgh University Press, 2008), p. 47-79.

humanist position created an activist society that used the state to push forth humanitarian agendas, first and chief among them were the success of the abolition of slavery. The expansion of suffrage was another humanitarian value that had resulted in an expanding participation amongst Europeans. The rise of democratic participation by the end of the nineteenth century resulted in developments that would end liberal control over society. First, the rise of the state as purveyor of public goods pushed forth the rise of the Welfare State, which shifted emphasis away from society toward the state as the ultimate wielder of authority. Second, democratic participation shifted society from bourgeois toward populist values that favoured the collective against the individual. Nationalism grew to a frenzy and resulted in the rise of late nineteenth century imperialism and conversely the rise of nationalist aspirations and national secessionist movements. Irrationalism grew into prominent legitimate movements that had significant effect on the wider society,[32] for instance, theosophy was very prominent in the Indian nationalist movement[33] and the early rise of Javanese nationalism.[34] Fascism had one of its roots also in this rise of irrational thought.[35]

The expansion of participation became a question of control. The bourgeois liberal elites with their enlightened, individualist notions were totally unprepared to deal with this. One may see the shift away from liberalism as an institutional problem of control. The rise of nationalism and other irrational collectivist thoughts were meant to control people's opinion and channel them as political movements. Votes became collectivized within political ideologies, whose populist strength was under the command of a new breed of populist politicians. These politicians deftly manage 'the people' under them through the manipulation of collectivist notions, using primeval

32 In fact, mysticism was part of modernity. Crooke Williams, *Mysticism as Modernity. Nationalism and the Irrational in Hermann Hesse, Robert Musil and Max Frisch*, (Oxford: Peter Lang, 2008), p. 17-27.

33 Mark Bevir, "Theosophy and the Origins of the Indian National Congress" in *International Journal of Hindu Studies*, Vol. 7, 2003, p. 99-115.

34 Farabi Fakih, "Political Java in Modern Times. The Political Thoughts of Tjipto Mangoenkoesoemo and Noto Soeroto, 1908-1930," Masters Thesis Leiden University, Leiden, 2009.

35 Roger Griffin, *Modernism and Fascism. The Sense of Beginning under Mussolini and Hitler*, (Hampshire: Palgrave Macmillan, 2007), p. 116 and David F. Lindeman, "The prevalence of irrational thinking in the Third Reich: notes toward the reconstruction of modern value rationality" in *Central European History*, Vol. 30, Year 1997, p. 365-385.

sentiments of kinship. This resulted, among others, in problematizing the 'multicultural' society that had been either a long part of society or were created during the liberal period. Especially in Central and Eastern Europe, this resulted in massive ethnic cleansing and 'purification' of national boundaries with a mono-ethnic majority.[36] It also gave rise to the nationalist movements within the colonial empires of Europe.

Scientific Management

The rise of industrial capitalism resulted in another institutional means of control: scientific management. Initially developed in Europe, scientific management was adopted and developed extensively in the United States by the end of the nineteenth century by the American mechanical engineer Frederick Winslow Taylor (1856-1915). The Taylorist approach to control focused primarily on that of labour.[37] It was predicated on the goal of industrial efficiency and the creation of an expanding white-collar managerial class that was a counterweight to the radicalization of blue-collar workers. This new middle class had different values and ideology from the older bourgeois elite. An expanding white-collar middle class worker provided a safety valve in which participation could be controlled by a new elite whose claim to authority lay in a rational and logical foundation of managerial capability.[38] Class conflict was controlled through two strategies: first, the 'American dream' allowed people to hope to become incorporated into the expanding elites. In fact the massive economic expansion of the US made such dreams an attainable prospect to millions of people who were willing to put their children through the education mill. This de-radicalized the general populace and created a strong popular appeal for the state.[39] Second, such economic expansion was only possible as a result of an expanding workload. The question of a job inflation was pushed as a result of the expanding industrial economy but importantly also, through the creation

36 Mark Mazower, *The Dark Continent: Europe's Twentieth Century*, (London: Penguin Books, 1998), p. 40-76.

37 Harry Braverman, *Labor and monopoly of capital. The degradation of work in the twentieth century*, (New York: Monthly Review Press, 1974), p. 85-121.

38 James Burnham, *The Managerial Revolution: what is happening in the world,* p. 173-174.

39 Judith Merkle, *Management and Ideology. The Legacy of the International Scientific Management Movement*, (Berkeley: University of California Press, 1980), p. 92.

of jobs to service the Welfare State. Not only were people primed to support the industrial economy, they came to unequivocally support the expanding managerial state.

The incorporation of the population into a managerial hierarchy delineated an ideology that was subservient to logical and rational ordering[40] but which shared some similarity with the irrational ideology of nationalism by its collectivist ideas. Management was an ideology that resulted in the individual loss of liberty, the reduction of democracy and a dislike toward the judiciary and the rule of law which it want toreplace with the greater good of efficiency and economic development.[41] One of the most transformative episodes in the evolution of the managerial state came during the Second World War when entire nations were re-designed in the service of the war.

Total War subsumed society under the goals of the state in a fight to the death struggle against other non-liberal forms of state-society relations. Although populist ideologies like Fascism, Communism and the Welfare Statism of Western Democracies had inherent differences concerning race relations, private enterprise or parliament, these were often differences of degrees not of kind. The difference in kind was found between that of Taylorism or scientific management against non-liberal political ideologies *in general*. These non-liberal ideologies had similar basic characteristics: the primacy of the state, the incorporation of the economy and nationalism as a rallying cry for national solidarity and unity. As a result, scientific management easily traversed differing ideologies. During the 1920s, there was a wave of American influence overwhelming European (and Japanese)[42] society as the tools and techniques of scientific management were appropriated and used in Fascist and Communist states. Total war occurred between differing non-liberal ideologies but among the same scientific managerial states. This similarity was strengthened by the fact that few people understood what

40 Dwight Waldo, *The Administrative State; a Study of the Political Theory of American Public Administration*, (New York: Ronald Press Co., 1948), p. 50-51.

41 Dwight Waldo pointed out that for democracy to survive against the appeal to fascism and communism, an efficient rule by the administrator/manager was necessary. In fact, he called administrators as a democratic ruling class. Dwight Waldo, *The Administrative State; a Study of the Political Theory of American Public Administration*, p. 89-94. The tension between bureaucracy and democracy remains a problem discussed in public administration science. See Kenneth J. Meier and Laurence J. O'Toole Jr., *Bureaucracy in a Democratic State*, (Baltimore: the John Hopkins University Press, 2006), p. 3-9.

42 James Burnham, *The Managerial Revolution: what is happening in the World*, p. 122-144.

classical liberalism actually entailed anymore. In the United States, liberalism itself underwent a significant change in concept, which transformed it into a form of socialism.[43]

Total War was a concept that integrated and incorporated society within the guidance of the state elites; which were broadly divided between the two camps of twentieth century modernist: the populist politicians and the managers/engineers experts or technocrats. World War II emphasized the necessity to bring forth these forms of state-society relations in practically all states that were affected by the war. Post-War forms of state-society relations thus had a corpus of examples to choose from varying from the Western efforts at total war to the militarized ideologies of China, Vietnam or Yugoslavia in their effort to use society in order to repel a stronger enemy. After the war, the playing field shifted to the Third World.

American Modernism and National Planning

The expansion of a specific managerial ideology successfully traversed the political ideologies that divided the Cold War, for the simple reason that both sides were "industrializing countries."[44] But the export of post-war American scientific management was mostly intended for the pre-industrial Third World states that had recently gained independence.[45] As a result, the expansion of American social science with its emphasis on modernization and development had to conform to the needs of these client states and especially the client elites of these new states. There were two distinct periods in American aid during the 1950s, the first period focused on technical assistance, economic development and the expansion of the managerial class of client states.[46] The second period started at the end of the 1950s with the rise of the Kennedy Administration and shifted its focus toward the creation of a strong state and the rise of military-managerial elite. The

43 Paul Edward Gottfried, *After Liberalism. Mass Democracy in a Managerial State*, (Princeton: Princeton University Press, 1999), p. 3-29.

44 Harry Braverman, *Labor and Monopoly Capital*, p. 16.

45 This is not fully true. The expansion of US ideas of civil society and its codes of democracy, efficiency, good governance and best practices were also exported to Europe. See Giles Scott Smith, *Networks of Empire: The US State Department's Foreign Leader Program in the Netherlands, France and Britain, 1950-1970*, (Brussels: Peter Lang, 2008), p. 29.

46 Nan Wiegersma and Joseph E. Medley, *US Economic Development Policies toward the Pacific Rim*, (Basingstoke: MacMillan Press, 2000), p. 1-4.

social scientists and theorists behind the shift were often composed of the same people within America's most prestigious universities. They became the mandarins of modernity.[47]

Khrushchev's change in policy toward supporting Third World nationalism had shifted American thoughts on aid to the developing world. Increasingly, aid became part of a broader militarized policy of counter-insurgency and Third World military began to take the place as modernizing elites. A new relationship was being forged in which new client elites were produced through American education. The goals of America was to win the war with the Soviet Union, not to create legitimately working developmental states, although a number of East Asian states came to profit from American aid in order to propel a sustainable growth path.[48]

The shift from populist toward managerial elites entailed the destruction or at least cooptation of the populist elites by the managerial ones within, using the Marxist term, a *means of production* that favoured their existence. One can argue that populist elites were there as a stop-gap measure of the state in its jump from the stable nineteenth century liberal state, toward another stable state, the twentieth century managerial/welfare state. For Indonesia, this was a jump from a colonial toward a developmental state. Of course, it would be too easy to dismiss the fate of the populist politicians as foregone. As we will see, they contributed important institutional means that allowed for the shift toward the developmental state. Their rule was the bridge that made possible the rise of a new means of production that became the primary relationship between elites and mass, state and society for a long time to come.

The rise of the manager as legitimate heir to nationalist states and the military as the protector as well as benefactor of that type of elite-controlled state is one of the most important stories of the Third World in the second half of the twentieth century. For many Third World state, sometimes coming

47 Nils Gilman, *Mandarins of Modernity. Modernization Theory in Cold War America*, p. 155-200.

48 According to Wiegersma and Medley, the success of Japan, South Korea and Taiwan reside in the different doctrine of aid they received from the United States of America. The Truman years of the 1950s truly focused on the promotion of equitable development, with land-reform as a significant part of the development model. East Asian economies got 'lucky' because of their position as forefront of the Cold War occurred during the height of the Truman doctrine, while many other countries received their aid later during the more military-oriented Kennedy doctrine. Nan Wiegersma and Joseph E. Medley, *US Economic Development Policies toward the Pacific Rim*, p. 1-4.

out of protracted independence struggle with their former colonial rulers, the new nation-state was under a leadership that had gained their authority through the usage of populist notions of nationalism and other kinship strategies. The purpose of this study is to locate the Indonesian story within this general narrative and to explain how the shift in elites occured from nationalists to managers/experts? How did the latter obtain their authority and legitimacy, and in fact, did they ever obtain authority? Instead of breaking with the past, the nationalist, incorporated state forged by President Sukarno since 1957 was the embryo that allowed for the managerial-led New Order state. The type of state-society relationship that was being brought forth during the Guided Democracy was seen to be compatible with a military-managerial dominated state that followed.

The modernization effort of the 1950s and 1960s thus represents a fundamental with the past. The New Order state that followed continued to use some of the symbols and institutions of the previous nationalist state because of the effectiveness it had in controlling the population. From the state's point of view, the conundrum of expanding participation, which had unleashed forces that destroyed classical liberalism through the rise of irrational populist sentiments, had finally been solved. A militarily enforced, scientifically endorsed authoritative elite was created.

Position in Historiography

One of the most important book on Indonesia in the 1950s was Herbert Feith's *The decline of constitutional democracy*.[49] While Feith's book focused on the political development that allowed for the rise of Guided Democracy, this study will approach it from the development of elite formation through a changing institutional environment. Indonesia's technocracy/bureaucracy and their corporatist strategies have been discussed, as shown above, by David Reeve, Karl Jackson and John MacDougall.[50] This ties in with the broader discussion on Indonesian elites and its culture, which have been analyzed using a variety of approaches. This include among others the anthropological

49 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*.

50 John James MacDougall, *Technocrats as Modernizers. The Economists of Indonesia's New Order*.

approaches taken by Clifford Geertz[51] and Benedict Anderson,[52] the sociological approach by Ann Gregory[53]and the political science approach such as those by Harold Crouch.[54]

This thesis intends to contextualize the Indonesian narrative with three fields that it is inherently connected to: the studies on the Cold War, Scientific Management and the Developmental State.

Because of its strategic situation Indonesia is well represented in the Cold War historiography which is divided into two groups: the leftist group which saw American intrusion and the machination of the CIA as destabilizing and creating a violent military regime and a more celebratory view of the period by those who were involved in solving the problems of Indonesian development. This first group includes, among others, Bradley Simpson's *Economists with guns*[55] and Malcolm Gladwell's *Ten Year Military Terror in Indonesia*. Articles include the well-known David Ransom in Ramparts[56] that baptized the Indonesian technocratic elite with the nickname of the Berkeley Mafia and Peter Dale Scott's articles on American aid and elite formation.[57] The second groups consists of men on the spot who had been personally engaged in the problems of Indonesian development, such as John Bresnan with his monograph on the Indonesian political economy[58] and Goenawan Mohammad who wrote a history of the Ford Foundation in Indonesia.[59]

These works must be placed within the greater context of the Cold War historiography on American modernism and the Third World. Michael

51 Clifford Geertz, *Religion of Java*, (Chicago: Chicago University Press, 1976).

52 Benedict R'OG Anderson, *Language and Power: Exploring Political Cultures in Indonesia*, (Ithaca: Cornell University Press, 1960).

53 Ann Gregory, Recruitment and Factional Patterns of the Indonesian Political Elite: Guided Democracy and the New Order, (Dissertation at Colombia University, New York, 1976).

54 Harold Crouch, *The Army and Politics in Indonesia*, (Ithaca: Cornell University Press, 1978).

55 Bradley Simpson, *Economists with guns: Authoritarian Development and US-Indonesian Relations, 1960-1968*, (Stanford: Stanford University Press, 2008).

56 David Ransom, "The Berkeley Mafia and the Indonesian Massacre" in *Ramparts*, Vol. 9, No. 4, 1970, p. 27-49.

57 Peter Dale Scott, "Exporting Military-Economic Development. America and the overthrow of Sukarno. 1965-1967" in Malcolm Gladwell (ed.), *Ten Years Military Terror in Indonesia*, (Nottingham: Spokesman Books, 1975), p. 209-263.

58 John Bresnan, *Managing Indonesia: The Modern Political Economy*, (New York: Columbia University Press, 1993).

59 Goenawan Moehammad, *Celebrating Indonesia: Fifty Years with the Ford Foundation, 1953-2003*, (Jakarta: Ford Foundation, 2003).

Latham's monographs on the ideology of American modernism and various works by other authors describing modernization and its relationship with American social science have indicated the wider historiographical context that this thesis will address.[60] The question of management and national planning touches upon the ideologies that became such an important part of the American modernism. Harry Braverman's Marxian analysis on the rise of scientific management[61] could be compared with the more liberal interpretation of Judith Merkle.[62] Works pointing out the dangers of the rise of the managerial state has been an important fixture of mid-twentieth century philosophy on society and include such work as Friedrich Hayek's *The Road to Serfdom*,[63] Herbert Marcuse's *One-Dimensional Man*,[64] Schumpeter's *Capitalism, Socialism and Democracy*[65] not to speak of James Burnham's prophecy of the decline of individualism and democracy within a managerial state.[66] These treatises work on the assumption of individual liberty as a central value.

Yet, another theme that this thesis will address is the use of forms of economic development. Initially, I intend to integrate this with various works that have looked into the reason why some countries were successful while others weren't, such as Atul Kohli's *State Directed Development*[67] and Linda Low's edited *Developmental State*.[68] Much of the discussion about the successful Developmental State has focused on the rise of the East Asia nurturing state

60 Michael E. Latham and John Lewis Gaddis, *Modernization as Ideology: American Social Science and "Nation Building" in the Kennedy Era*, (Chappel Hill: University of North Carolina Press, 2000) and Michael E. Latham, *The Right Kind of Revolution: Modernization, Development and US Foreign Policy from the Cold War to the Present*, (Ithaca: Cornell University Press, 2011).

61 Harry Braverman, *Labor and monopoly of capital*.

62 Judith Merkle, *Management and Ideology. The Legacy of the International Scientific Management Movement*.

63 Friedrich Hayek, *The Road to Serfdom*, (London: Routledge and Kegan Paul, 1944).

64 Herbert Marcuse, *One Dimensional Man: Studies in the Ideology of Advanced Industrial Society*, (London: Routledge and Kegan Paul, 1968).

65 Joseph Schumpeter, *Capitalism, Socialism and Democracy*, (New York: Harper, 1942).

66 James Burnham, *The Managerial Revolution: What is happening in this world*.

67 Atul Kohli, *State-directed development. Political power and industrialization in the global periphery*, (Cambridge: Cambridge University Press, 2004).

68 Linda Low (ed.), *Developmental States. Relevancy, redundancy or reconfiguration?,* (New York: Nova, 2004).

and its embedded industries.[69] In contrast with the fearsome picture of the Cold War and Scientific Management monographs, the economists have tended to praise the Developmental State, despite their full knowledge of the lack of rights accorded by the state.[70] Most deflect on any attempt at moralizing and simply try to understand how some states are more successful than others in terms of development. Even so, one of the more popular books on the subject Daren Acemoglu & James Robinson's *Why Nations Fail*, point to the relationship between the institutional arrangement of exclusion and inclusion as central to understanding the successes and failures in the development process.[71] Unfortunately, the thesis itself has strayed away from this earlier focus and thus had had less influence in its analysis.

This dissertation wants to situate within the above discussions. It primarily is meant to be a history of the rise of the Indonesian managerial elite and the reaction it prompted from its nationalist opposition. The development of twentieth century state-society relations in Indonesia is a complex process involving a variety of ideas that traversed ideology and continents. By focusing on the development of two ideas during the period; national planning and scientific management, I hope to show that the main difference between the approaches to state-society relations is between a state-centered versus a people-centered ideology. This bids the question of understanding the importance of liberalism and its relative absence within the discourse of Indonesia and Indonesian history. It also begs the question whether the conventional way of looking at the rise of the New Order should not be amended so that the various institutional and ideological developments that occurred before it can be included.

Division of Chapters

The thesis consists of seven chapters divided into three parts. The chapters one and two will deal with elite idea and formation. The first chapter discusses

69 For instance, Gordon White (ed.), *Development State in East Asia*, (Sussex: Institute of Development Studies, 1988) and Peter Evans, *Embedded Autonomy. States and Industrial Transformation*, (Princeton: Princeton University Press, 1995).

70 Linda Low, "Introduction and Overview" in Linda Low (ed.), *Developmental States. Relevancy, redundancy or reconfiguration?*, p. 10-11.

71 Daren Acemoglu and James Robinson, *Why Nations Fail: the Origins of Power, Prosperity and Poverty*, (London: Profile, 2012).

the fragility of the new, managerial elite, *the experts* as they were called by nationalists. We will look into the rationale of the dislike shown by Sukarno and some of his close nationalist entourage towards the experts as an upstart generation. We will argue that it was a generational problem; in a sense, the mental framework of each elite group thought was the product of, to use the Marxist term, the means of production; a colonial, empire-dominated and a post-colonial, American-dominated environment. The second chapter discusses the rise of the military elite from two general developments; the experience of the revolutionary war that bifurcated the military amongst a similar division of nationalists/solidarity makers and experts/administrators, and secondly the expansion of American education and the introduction of counterinsurgency strategies under both the policy of the Kennedy Administration and Sukarno's increasingly belligerent Konfrontasi policy in the region. This bifurcated the military elite into both a territorial/managerial and counter-insurgency/strike group. These two chapters will hopefully help to understand the rising elite of the period and their stance on the relationship between state and society.

The second part of the thesis focuses on the development of institutions and the import of ideas and ideologies during the 1950s, when Indonesia was a nominal 'liberal' democracy. Chapter three discusses the Indonesian effort at producing experts through the expansion of higher education and sending Indonesian abroad to study and the import of technical advisors into the country. This has resulted in the formation of what one expert has called a community of scholars, whose power and authority was disdained by many nationalist and communists. Many of these scholars clustered around that growing institution so typical of the 1950s; the institution of national planning. Chapter four discusses another significant import item of the 1950s; scientific management. Its purpose is to show how scientific management has contributed to the re-evaluation of liberal institutions current in the country and in particular the rule of law and the separation of powers or *triaspolitica*. The rise of the managerial experts legitimized both their authority in policy making and the need to revamp state-society relations to allow for their smooth control. These chapters show that the international development of the 1950s were very important in understanding the rise of the Guided Democracy by the end of the decade.

The last section of the thesis covers three chapters and discusses the development of both national planning and scientific management within the

context of the Guided Democracy. Chapter five discusses the implementation of national planning and the transition from corporatist toward technocratic institutional forms and the rise of a new generation of social scientists. Recentralization of decision making process under the office of the President and the planning for the incorporation of the regional and departmental heads within and under a planning body was a testament to the shift away from corporative ideas toward implementing ideas of the strong state. Chapter six discusses the expansion and implementation of managerial ideas and its relationship with the implementation of techniques of control that the state imposed on both the civil servants and civil society. Structural and behavioural control by the state became a preeminent strategy of the Guided Democracy state. This was then continued by the New Order state in ways very similar to the Guided Democracy effort. Chapter seven discusses the latest phase of the Guided Democracy (1962-1965) by looking at the way in which both the nascent technocracy and the communists argued about their ideas of state-society relations. The purpose of the chapter is to show the extent toward which the defining characteristics of the difference lay not between capitalism/liberalism and communism, but between a state-centered and a participative type of ideology.

It is important to demystify the hallowed classification that is used in understanding the moral position of the actors in this particular period. Classification such as leftist or liberal, Communists or Berkeley Mafia, the United States of America or Soviet Union/People's Republic of China, force us to make easy moral choices while interpreting the nineteen fifties and sixties. By re-evaluating these labels Indonesians can re-engage a troubled past and move beyond the generally accepted interpretation made by the state and its elites. By widening our view-point and seeing the ideas of the modern Indonesian nation-state through a long range lens, we begin to understand the limitation of looking at our history within the perspective of what Hobsbawm has called the Age of Extreme.[72] Perhaps, it is necessary for the Indonesian intellectual to start to deal in an honest and engaging manner with the liberal tradition, or the lack of it. In the present liberal age it is time we shed our petrified twentieth century perspectives and look anew at our recent past.

72 Eric Hobsbawm, *Age of Extremes. The Short Twentieth Century. 1914-1991*, (London: Abacus, 1995).

CHAPTER I

The Indonesian Elite and its Authority

In 1966, during the notorious trial of Sukarno's last appointed Bank of Indonesia governor, the Acehnese Jusuf Muda Dalam, the mass media and the Suharto regime depicted the crimes of the governor mostly involving corruption and collusion as some of the most heinous in the history of the nation.[1] The harsh language indicated that Muda Dalam was being used as a symbol to criticize Sukarno.[2] Muda Dalam had authority but they claimed lacked legitimacy. This was not a unique event in the history of the country as recently as 2012 the deputy governor of Bank Indonesia, was jailed after

1 *Proses Jusuf Muda Dalam ex. Ment. Urusan Bank sentral "Kabinet 100 Menteri": Gema dari ruang peradilan subversi di Djakarta*, (Jakarta: Pembimbing Massa, 1967). There was also explicit personal slander with the publication of a book detailing Muda Dalam's sexual scandals. Considering the widespread knowledge of Sukarno's licentious affairs, the attack seemed to be aimed at Sukarno himself, who had transferred some of his authority to Muda Dalam, albeit indirectly. The tradition of sacrificing or attacking peons as a symbolic attack on the authority of the provider of that authority has a long tradition in Indonesian politics. Much of Indonesian political conduct has to be understood within an analysis of the authority and its transference to 'non-legitimate' figures.

2 The Mahmilub trials were indeed used by the army to discredit Sukarno during the tumultuous year of 1965-1966 when the struggle for power intensified as Sukarno used his fame and authority to try to stem the tide eating away his power base and those of his ally the Communist Party, and the cabinet. Jusuf Muda Dalam, along with Air Vice Marshall Omar Dhani and Foreign Minister Subandrio were sentenced to death by the military tribunal. Their sentences were commuted to life imprisonment later on.

beign accused of bribing lawmakers.[3] These events highlight the large number of former governors, ministers and deputy governors who have gone to jail for corruption in the Post-Suharto era.[4]

Throughout the 1950s, efforts by both the government and military to root out corruption put behind bars some of Indonesia's most prominent financial and economic policy makers. In a large sweep of corruption suspects, carried out by the military in 1957, many prominent policy makers including Bank Indonesia's first governor, Jusuf Wibisono, and economists such as Sjafruddin Prawiranegara, Ong Eng Die and Sumitro Djojohadikusumo were implicated.[5] Throughout the nation's history, the position of policy makers has been precarious. Only during the New Order did the offices of those in charge of determining Indonesia's policy direction become relatively safe from the scrutiny of civil society.

The facts above present a clue for unraveling the machinations of Indonesian society and its relationship with the state. The relationship between the Indonesian state and society is fluid and interactive, and continually challenges the notion of the state as a bounded entity. Discussion on the criminality of the state and the role of the strongman (*jago*) and gangsters (*preman*) as client or extension of the state showed an inherent flaw in abstracting the state as a specific set of bounded institutions with specific authorities. In fact, the state extended beyond its legal boundary.[6]

Yet, both the colonial and New Order regimes prided themselves on their effort to create a strong state, by going for modernity and development. Both regimes maintained a façade of respectability through the application of modern methods of engineering and management. The colonial bureaucracy

3 *Tempo*, 27 September 2012.

4 Includes former Bank head Syahril Sabirin (*Tempo*, 11 June 2009) and Burhanuddin Abdullah (*Kompas*, 29 October 2008) and deputy governors like Aulia Pohan (*Antara*, 17 June 2009), among others.

5 *Keng Po*, 28 March 1957.

6 The *jago* and *preman* element as part of state-extension in society is discussed in all periods of Indonesian history. Thus, for instance Schulte Nordholt and Sutherland for the colonial period, Barker discussed the New Order and Lindsey for the post-New Order period. Henk Schulte Nordholt, "The jago in the shadow: crime and order in the colonial state" in *Review of Indonesian and Malaysian Affairs*, Vol. 25, No. 1, Winter, 1991, p. 74-91, Joshua Barker, "State of fear: controlling the criminal contagion in Suharto's New Order" in *Indonesia*, no. 66, October, 1998, p. 6-43, Tim Lindsey, "The criminal state: Premanisme and the new Indonesia" in Grayson Lloyd and Shannon L. Smith (eds.), *Indonesia today. Challenges of history*, (Singapore: Institute of Southeast Asian Studies, 2001), p. 283-297.

was proud of its achievements in Western *techniek* (engineering) and its administrative capabilities. The *raison d'etre* of the Dutch colonial project, at least by some colonial supporters,[7] lay exactly in bridging the dichotomy between a modern, official, technically advanced Dutch bureaucracy and the traditional, feudal and technically deficient Indonesian bureaucracy. The Indonesian needed the colonial imposition in order to become modern.[8]

This dichotomy of the official, legal, professional and modern against those on the other side, was the leitmotif of twentieth century Indonesia. The *Pangreh Praja*, the indigenous bureaucracy, originating from Java but assigned to positions throughout the archipelago, arose from a pre-colonial bureaucracy whose claim to authority was based on military power.[9] Their accession to being part of the state was based on their prior demonstration of real military power. Robert Cribb has shown that this notion of violence as conferring legitimate authority was what caused many of Jakarta's underworld to fight in the revolution,[10] signaling the continued presence of these ideas in post-colonial Indonesia. Yet, the failure of the bandits to gain recognition of their authority from the state, and the willingness of the Republic to stamp them out pointed to the way in which alternative, international protocols of authority existed alongside.

How to prop up bureaucratic authority in a society not under colonial suppression was the big question of the 1950s. Clifford Geertz's anthropological analysis of the fictionally named town of Modjokuto[11] in the early 1950s divided Javanese society into two major social groups or *alirans*.[12]

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7 For instance, De Kat Angelino, *Staatkundig Beleid en Bestuurszorg in Nederlandsch Indie. Eerste Gedeelte*, (The Hague: Martinus Nijhoff, 1929), who argued for the melding between the technical west and the spiritual east as the basis for the state.

8 Marieke Bloembergen and Remco Raben, "Wegen naar het nieuwe Indie" in Bloembergen and Raben (ed.), *Het koloniale beschavingsoffensief: wegens naar het nieuwe Indie*, (Leiden: KITLV Press, 2009), p.7-24.

9 Henk Schulte Nordholt, 'A genealogy of violence', in Freek Colombijn and Thomas Lindblad (eds.), *Roots of violence in Indonesia: Contemporary violence in historical perspective*, (Leiden: KITLV Press, 2002), p. 33–61.

10 Robert Cribb, *Gangsters and Revolutionaries. The Jakarta People's Militia and the Indonesian Revolution, 1945-1949*, (North Sydney: Allen Unwin, 1991), p. 89-99.

11 In actuality, the town of Pare.

12 According to Geertz: "The institutional agency of this new mode of integration was the *aliran* system. Aliran… has been extended in Republican Indonesia to signify what in English we call a social movement, an ideologically defined political faction animated by rather far-reaching moral ambitions. In particular, an aliran consists of a political party

It was a religious and ideologically based model of the workings of society, consisting of Javanist and Islamist groups. The Javanist elite, the *priyayi-*, constituted the social group of the *pangreh praja*. The *priyayi* formed the Javanese bureaucracy and their claim to rule was based on traditional notions of authority and the support of the Dutch colonial state.[13] The Islamists were those whose view of society was determined by Islam, not by traditional Javanese notions. Within Islamist ideology, the *priyayi's* cultural legitimacy of authority fell apart. The elite of the Islamists had their roots in commerce. On a non-elite level, the Javanists were represented by the *abangan,* ordinary Javanese who were Muslim in name but were loyal followers of the Javanese religion. The expansion of the devout *santri* Islamists was the engine that allowed for the creation of the *Javanist aliran*, which welded together the *priyayi* bureaucrats and a wider social group that provided these elite with legitimacy and societal power. The Islamist santri and their elite, with no access toward the state bureaucracy, penetrated the state apparatus through other institutions: the political parties and the parliament.

The Indonesian bureaucracy was tied together based on a shared feeling of being overwhelmed by the Islamist, yet the roots of its authority, tradition and the support of the colonial state were, by the 1950s, deteriorating or downright non-existent. The shrill anti-feudal exclamations of the nationalists attacked the core of *priyayi* privileges while other *alirans*, especially the Communists and leftists, vied for the support of the *abangan*. The *priyayis* were thus under attack from both the Islamists and the Communists. The miracle, perhaps, was how they managed to survive relatively well as a group in the 1950s and 1960s. In an analysis of the country's elite in the early New Order period, Donald Emmerson has shown that the fundamental classification of the Indonesian elite remained the same until the early 1970s, with *abangan* in control of the bureaucracy and *santri* in control of the parliament, and an equal control of the military by both *alirans*.[14]

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surrounded by a set of sodalities… formally or informally linked to it." And that "An aliran was more than a mere political party and it was more than a mere ideology: it was a set of interconnected social forms which acted to group large masses of people into a generalized category". Clifford Geertz, *The social history of an Indonesian town*, (Cambridge: MIT Press, 1965), p. 127 and 128.

13 Heather Sutherland, T*he making of a bureaucratic elite. The colonial transformation of the Javanese priyayi*, (Singapore: Heinemann, 1979), p. 144-151.

14 The military elite, though, was by the early 1960s overwhelmingly Javanese (60-80% of the officers). Harold Crouch, *The Army and Politics in Indonesia*, p. 37. These changed by

As a social group, the *priyayi* were institutionally assisted to overcome the difficulties in transitioning to a modern Indonesian state. Their strength lay in two things. First, they monopolized the local administration. Nationalists, most of them hailed from a *priyayi* background, did not inherit or develop a counter bureaucracy to the official bureaucracy of the colonial state. Suggestions to destroy the *priyayi* bureaucracy during the early independence year of 1945 came to naught, as most state leaders, including Sukarno, Mohammad Hatta and Sjahrir, understood they had to depend on the Pangreh Pradja/Pamong Praja.[15]

Second, their access to state power allowed them access to education.[16] Their near-monopoly on advanced education meant that they could conveniently adjust themselves to the needs of the modern state, and even more importantly, that they could in turn obtain the power to determine the idea of state-society relations through a new authority that they garnered through education: the authority of the experts. This model, crafted by development economics, sociology, scientific management and public administrations specialists, was a model of modernity that the *priyayi* found inherently attractive. The most important aspect of the model was the monopoly position of the managers as a special group of educated supermen.

Yet it would be a mistake to consider that a mere diploma was enough to confer the magic of authority on these many newly graduated students. Java's pre-colonial bureaucracy employed gangs of *jagos* and hoodlums as tools for societal control. As Heather Sutherland has remarked, in pre-colonial times, "under Mataram [rule] terror and torture had been essential instruments of control."[17] Although the Dutch prided themselves on their ability to enforce the rule of law in the archipelago, there still continued to be something of a modus Vivendi between *priyayi* bureaucrats and the criminal elements/

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the 1960s onwards as access to education expanded. See Thedore M. Smith and Harold F. Carpenter, "Indonesian Students and Their Career Aspirations" in *Asian Survey*, Vol. 14, No. 9, September 1974, p. 807-826.

15 Sukarno very much supported the Pangreh Praja and extolled their virtues in many of his speeches to the corps during the revolution. The republican elite gave priority to the Pangreh Praja for the top echelon post during early independence, for instance. Anthony Reid, *Indonesian National Revolution. 1945-1950*, (Hawthorn: Longman, 1974), p. 32.

16 Thomas R. Murray, *A Chronicle of Indonesian Higher Education, the First Half Century. 1920-1970*, (Singapore: Chopmen, 1973), p. 90.

17 Heather Sutherland, *The Making of a Bureaucratic Elite*, p. 26.

local bullies in keeping order in rural society.[18] In order for authority to be conferred, the reinstitution of some sort of order on the scale of the colonial state had to be done. The local bureaucracy had to have protection from above and collaboration from local strong men. As we will see below, these two long arms of the bureaucracy would be increasingly provided by the military, as both overseer of the state and its enforcers on the ground.

The history of the modern Indonesian state is thus a history of its bureaucracy, and by extension, the nation's *priyayi* elite. As Professor James Mackie contends, Indonesia's elite and growing middle class were "essentially bureaucratic elites or, as in the Sukarno era, a party-political elite. To the extent that an Indonesian middle class has been emerging over the last three decades, it is primarily a salaried and professional middle class, not an entrepreneurial or propertied" one.[19] This is, of course, a simplification of the reality. First, although the majority of Indonesian bureaucrats were Javanese, there were large numbers of non-Javanese who became important members of the elite; this was particularly true for the military.[20] Many of the economists that were to play an important part during the New Order, such as Emil Salim and Frans Seda were non-Javanese.[21] Second, the priyayi class itself, as a result of education, was undergoing significant changes.

Franklin Weinstein divided Indonesia's twentieth century elite into three groups based on their respective generation; those of 1928, 1945 and 1966. The 1928-generation was those who had enjoyed good colonial education, and who continued studies in Dutch universities. Their world-view was highly influenced by the works of Karl Marx and other European social theorists, and although they initially had a positive outlook on the United States, the 'betrayal' of America during the revolutionary struggle embittered their view of the US, causing a deep sense of ambivalence.[22]

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18 *Ibid*. and Robert Cribb, *Gangsters and Revolutionaries*, p. 1-5.

19 J.A.C. Mackie, *Property and Power in New Order Indonesia*, (S.l: s.n., 1983), p. 1.

20 Ann Gregory has noted, though, that the number of Javanese occupying important government positions increased during the Guided Democracy and New Order. Ann Gregory, *Recruitment and Factional Patterns of the Indonesian Political Elite: Guided Democracy and the New Order*, p. 108.

21 Many of the technocrats were also non-Muslim, including the Catholic Frans Seda and J.B. Sumarlin and the Protestant Radius Prawiro, among others. Hamish McDonald, *Suharto's Indonesia*, (Honolulu: University Press of Hawaii, 1981), p. 76.

22 Frank Weinstein, *Indonesian Foreign Policy and the Dilemma of Dependence*, (Ithaca: Cornell University Press:, 1976), p. 42-65

The second group was the 1945-generation. They had experienced first hand the Second World War. The majority of them joined the student or youth militias set up and trained by the Japanese. Some of the anti-Western propaganda that their Japanese trainers passed on to them determined their world-view for a long time after the end of the war. Unlike the 1928-generation, the 1945-generation did not receive a good and full colonial education. The government's temporary reduction of the education budget in the 1930s, owing to the Depression and the increasing availability of 'nationalist' schools that competed with Dutch education in the colony affected their outlook.[23] Aside from becoming soldiers and participating in the war, many youngsters also had the chance to become low and middle-level civil servants before going off to university in Indonesia, with some continuing on with post-graduate study in the United States. Although less Marxist in their outlook in comparison to many nationalists of the 1928-generation, they were generally open to the ideas that the left had to offer. Their involvement in the Indonesian state as administrators or army officers and their formative education abroad, mostly in US universities, were important factors that changed their world-view of state-society relations in comparison to the earlier generation, which had little opportunity to work in managerial government services and had received almost exclusively Dutch education, and were actually Dutch-speaking among themselves.[24]

The 1966-generation was the one that grew up during the Guided Democracy and cheered at the ending of Sukarno's regime and the rise of the New Order.[25] This generation was generally deeply anti-Marxist, if not apolitical, but for our purpose will not be referred to further because of their limited relevance to the discussion.

The shift from the democracy of the 1950s to Guided Democracy and the New Order must be seen in terms of the shift from the 1928 to the 1945 generation. As we will see, the gradual control of the bureaucracy and state

23 A process of politicization of the teachers also occurred during the period in government-owned Indonesian schools as well, signifying increased attention at participatory pedagogy which Agus Suwignyo has termed public intellectuality. This process appeared again as part of the participatory discourse of Indonesian nationalism, which will be discussed further in the next chapters. Agus Suwignyo, The breach in the dike: regime change and the standardization of public primary-school teacher training in Indonesia, 1893-1969, Thesis for Leiden, 2013, p. 152-207.

24 Frank Weinstein, *Indonesian foreign policy and the dilemma of dependence*, p. 42-65

25 *Ibid.*

by the 1945-generation occurred under the aegis of the 1928-generation, especially as the ideas they espoused became inherently anti-democratic and in favour of a strong state-one that controlled society in a vice-like grip. Sukarno himself, as the pre-eminent icon of the 1928-generation, came to appreciate these tendencies. Even so, Guided Democracy was a period in transition and many in the 1928-generation saw their powers erode. Younger ones just graduating from American universities were able to obtain government positions but saw their influence as highly limited in middle management or university positions. Their ability to hook up with the military meant a deep similarity in outlook and aspirations for the state.

Yet, the Guided Democracy state was anything but a full control of the 1928-generation. Many of its influential policy makers, such as Roeslan Abdulgani and Mohammad Yamin espoused ideas that, on the whole, were a reaction against the competition of the upstart 1945-generation. In an age where the iconic image of the white-collar office head or plant manager was a man employing mathematically inclined science and social science,[26] even in such an underdeveloped society as Indonesia of the 1950s, the old elite was educationally inadequate. In the face of the new perspectives in efficiency and its associated managerial tools, the old elite came from another period. This was a period when leadership was earned through revolutionary capabilities, where history and literature guided the workings of human society and the path of nations instead of the graphs of economics, the analysis of the psychologists and the theories of the sociologists. Where the study of the law meant an understanding of how the state worked and how government functioned, instead of the studies of time-motion and other Taylorist tools. According to MacDougal "…their emergence in policy making roles represents a fundamental shift in the nature of the ruling elite."[27] It was this inherent tension between what Roeslan Abdulgani termed the 'professionals' or 'unprofessionals', what Herbert Feith called the 'administrator' or 'solidarity-makers'[28] or what Pye called the "administrators" and "politicians" in Burma[29] or what Franz Schurmann called the "experts"

26 C. Wright Mills, *White Collar. The American Middle Class*, (New York: Galaxy, 1956), p. 142-160.

27 John James MacDougall, *Technocrats as Modernizers,* p. 15.

28 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*, p. 24-26 and 113-122.

29 Lucian W. Pye, *Politics, Personality and Nation-Building: Burma's search for Identity*, (New Haven: Yale University Press, 1962), p. 97-109.

and "reds" in China,[30] that was inherent in Guided Democracy and indeed in many other countries around the world. Many conflicts that engulfed Third World states during the mid-twentieth century were as much caused by the Cold War as by a generational shift. This was a shift fully realized by many of the older generation, to the extent that the Indonesians used the term reds and experts.[31]

Going back to the question on the roots of authority in the Indonesian bureaucracy, the answer could be deciphered by analyzing the changing of the guard from the 1928-generation to the 1945-generation highlighted above. The authority of the bureaucracy was possible as a result of an international protocol determined by educational and ideological status.

To understand Indonesian state and society without considering this important international dimension would result in omitting a basic component in determining the reasons why a certain group of people, American-trained, came to dominate policy making in what was essentially a military dictatorship. The New Order state functioned the way it did because it obtained its authority and its legitimacy from two fundamentally different source: a culturally-based definition of authority that had existed in the archipelago for centuries[32] and an internationally-based definition that allowed the regime to obtain international aid, technical assistance and economic integration. What emerged was a relatively impressive developmental state that brought economic growth and massive political violence at the same time. The 1950s and the Guided Democracy transition was thus essential in unlocking this transformative phase of the Indonesian state.

I will first discuss the inherent tension of the Guided Democracy ideology as it searched for a compromise that would allow the retention of the 1928 generation within a new world of experts and professionals, but contained

30 Franz Schurmann, *Ideology and Organization in Communist China*, (Berkeley: University of California Press, 1968), p. 163-167.

31 For instance, in the discussion on the production of expert manpower and the university system in the 1960s, which emphasized the creation of both reds and expert cadres. See Bachtiar Rifai, *Perkembangan Perguruan Tinggi selama 20 Tahun Indonesia Merdeka*, (Jakarta: Departemen Perguruan Tinggi dan Ilmu Pengetahuan, 1965), p. 26.

32 This was also the case with Sukarno under the Guided Democracy. "When we look at the political system of Guided Democracy and its operation, one cannot escape finding striking similarities with the political system and its operation during the Mataram rulers." Baladas Ghoshal, *Indonesian Politics 1955-1959. The Emergence of Guided Democracy*, (Calcutta: K.P. Bagchi, 1982), p. 98.

within it what Geertz has called "the advance toward vagueness" that will ultimately let to its own demise.[33] I will then discuss the ideas of state-society relations that were understood by the 1945-generation and its internationally ideological root: development and management.

Tensions in the Guided Democracy: the 1928-generation and their ideology

The difference in generation along educational lines represented two almost completely separate groups: the 1928 and 1945 educated elites; their difference could be termed a difference between intellectual and expert-based groups. Ann Gregory wrote, "There is no continuity between the Guided Democracy non-party elite segment and the technocrats of the New Order. The very nature of the two segments differs. The technocratic segment contains a high number of professionals for whom politics is a secondary career begun after success was achieved in their primary occupation, whereas for most of the Guided Democracy non-party elite politics was their primary career."[34] The old generation was effectively fighting for their legitimate elite status and authority.

This difference, as we will see, resulted in a deep distrust of the new generation of expert social scientists. What those of the old generation feared most from economists and other social scientists was what they considered the inherently authoritarian nature of their ideology. Roeslan Abdulgani thus said that "we are therefore faced with the peculiar situation where economists, stern anti-communists all, present us with a plan which politicians believe impossible without economic and social coercion on the communist pattern."[35] The promise of both Communism and Western social

33 Clifford Geertz, *Agricultural involution: the process of ecological change in Indonesia*, (Berkeley: University of California Press, 1963), p. 102.

34 Ann Gregory, *Recruitment and Political Patterns of the Indonesian Elite: Guided Democracy and New Order*, p. 349.

35 Roeslan Abdulgani, *Beberapa soal Demokrasi dan Ekonomi* (Jakarta: Dewan Nasional Indonesia, 1958), p. 33. Of course, Abdulgani was a politician first and thinker second. He was to survive the transition to the New Order and become part of the new regime, one that was to be dominated by those professional, text-book thinkers he once derided. Whatever his belief, his position as a spokesperson of the Guided Democracy state gave credence to his announcement, if not purely of his own devising, then as a perfectly capable filter from which the state produced its discourse.

science was an authoritarian state whereby people, intelligent and of good faith, were to be excluded from participation and authority. This dislike was obviously shared by Sukarno. In his address at the Bandung Non-Alignment Summit, he expounded: "I beg of you, do not think of colonialism only in the classic form which we of Indonesia, and our brothers in different parts of Asia and Africa, knew. Colonialism has also its modern dress, in the form of economic control, intellectual control, actual physical control by a small but alien community within a nation."[36] The fear of authoritarianism seemed to be a peculiar irony, considering the fact that Guided Democracy itself reduced participation of parties and organizations it deemed dangerous, the most important being Sjahrir's Indonesian Socialist Party (PSI) and the *santri*-based Masyumi Party, which were banned outright in 1960. On a Geertzian analysis, the banning might have meant a strengthening of the *abangan* bureaucratic elite whose main power base lay in the Sukarnoist parties like the PNI.[37]

Yet, the attack on these parties was also explicitly an attack on the nascent technocracy, whose 'liberal' credentials had been built up through its control of the liaison institutions connecting the vast pools of financial aid and security and educational opportunity of the international community and its Indonesian protégé. This control was explicitly pictured in the PSI, whose members and sympathizers became prominent authorities in important bodies such as the BPN (National Planning Agency), the FINEK (financial and economic) bureau, Seskoad (Army Staff and Command School) and other important institutions. The formation of various Guided Democracy institutions such as the Depernas (National Planning Board), Paran (retooling committee) and others were created to replace these institutions that had been dominated by 'administrators'. There was one important and major exception: the Army School of Staff and Command under General A.H. Nasution. Although Nasution did not sympathize much with the PSI,[38] he was considered as a relatively able administrator. Yet, Sukarno willy-nilly allowed Nasution to participate in these institutional formations.

36 Quoted in Bradley Simpson, *Economists with Guns*, p. 18.

37 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*, 139-143.

38 CLM Penders and Ulf Sundhaussen, *Abdul Haris Nasution. A Political Biography*, (St. Lucia: University of Queensland Press, 1985), p. 125-126. Sjahrir calling the headquarter of the army as 'a Fascist military clique headed by Nasution' further disenchanted him from this party.

The reason for this was that Sukarno was not powerful enough to run the entire show. He needed the support of the military, yet the development of the army in the 1950s resulted in the lessening influence of PETA-based army commanders who had similar ideological view as Sukarno and who were just as suspicious of the educated 'professionals' as Abdulgani.[39] The group was initially successful in ousting Nasution from power after the 1952 attempted putsch, yet they were not strong enough to protect their staff and command school, the Tjandradimuka Academy, from Nasution's wrecking ball.[40] After 1955, Nasution saw his power rise again. In fact, it was Sukarno who appointed him again as the Chief of Staff of the Army in 1955, thus placing Nasution as head of a vast and growing military government that mimicked and then took over many of the administrative authorities of civilian institutions within the state and the economy. Nasution thus, by the end of the 1950s, had control of both the military government and the military schools that deeply affected graduating army officers.[41] His control of key institutions, especially the Seskoad, was essential in understanding the development of Guided Democracy.

As newly graduated Indonesian social scientists started arriving from the United States in the late 1950s and early 1960s, they found a state that was suspicious of receiving them, but at the same time keen on benefitting some of their expertise. One major institution that opened their arms to incoming social scientists was Nasution's military faction, especially his Siliwangi Division. His successor, General Ahmad Yani (1962-1965), although loyal to Sukarno, was keeping the doors of the military to these new-graduates open. The marriage between the military and technocracy was thus a development that occurred under the harsh conditions of Guided Democracy.

The tension of Guided Democracy can be understood, albeit simplistically, as a tension between Sukarno and Nasution, each representing an ideology produced from totally different eras. Nasution was born on 3 December 1918,

39 In an article at *Vrij Nederland*, the Dutch journalist J. Eijkelboom called Abdulgani a parrot that can say Usdek. The parroting nature of the elites of Guided Democracy may point to the weakness in saying that there was a whole generation of pro-Sukarnoist elements, but it is undeniable that there was a coterie of people within the elites that had put their fortune with supporting Sukano throughout the entire Guided Democracy.

40 CLM Penders and Ulf Sundhaussen, *Abdul Haris Nasution,* p. 82.

41 Split within the army elites occurred at regional level instead of the national level, with regional commanders opposing Nasution's rationalization policies. Harold Crouch, *Army and Politics in Indonesia*, p. 32.

18 years after Sukarno (6 June 1901). They came from different generations, maturing intellectually in different periods and different social conditions. While Sukarno was a typical 1928-generation member, forming his ideas on state-society relations during the colonial period, Nasution's formative period was during the revolutionary struggle. Many of his ideas were rooted in his experience working in the general staff of General Oerip Soemohardjo and developing the tactics for guerilla war and the formation of a state-society model based on that war. This revolution was a formative period that forged the 1945-generation. For instance, many of the people in the "Berkeley Mafia," the notorious name coined for Suharto's cabal of technocrats, had participated as soldiers during the revolution,[42] understanding thus the sense of honour of battle and developing an ambivalent attitude toward the simplicity of Marxism and the importance of outside power in determining local events. A comparative analysis of the ideas of these two men opens the way for a better understanding of the inherent contradictions of Guided Democracy.

Sukarno

Sukarno was born in the industrial colonial city of Surabaya with its excellent infrastructures connecting it to the outside world. Yet, unlike many of his fellow nationalists, he would never experience the thrill and mundane boredom of Europe. His Europe was a mythical place, whose main features were the name of the series of train stations between Groningen and Limburg and his consumption of a large number of books written by European social

42 For instance, Suhadi Mangkusuwondo joined the TRIP militia in Malang, Emil Salim was active in the student army in Palembang, Subroto joined in the fight with the PETA army. Those that had not been active in fighting during the revolution like Mohammad Sadli and Sarbini Sumawinata were slightly older and thus were active in a more intellectual fashion. See Suhadi Mangkusuwondo, "Recollections of my career" in *Bulletin of Indonesian Economic Studies*, Vol. 31, no. 1, April 1996, p. 34-35, Subroto "Recollections of my career" in *Bulletin of Indonesian Economic Studies*, Vol. 34, no. 2, August 1998, p. 68-70, Emil Salim, "Recollections of my career" in *Bulletin of Indonesian Economic Studies*, Vol. 33, no. 1, April 1997, p. 47, Mohammad Sadli, "Recollections of my career" in *Bulletin of Indonesian Economic Studies*, Vol. 39, no. 1, April 1993, p. 36 and Sarbini Sumawinata, "Recollections of my career" in Bulletin of Indonesian Economic Studies, Vol. 28, no. 2, August 1992, p. 34-35. Lastly, the doyen of the Berkeley Mafia, Widjojo Nitisastro, also took part in the revolutionary war for independence. Peter McCawley and Thee Kian Wie, "In memoriam: Widjojo Nitisastro, 1927-2012" in *Bulletin of Indonesian Economic Studies*, Vol. 48, no. 2, 2012, p. 275.

theorists, from Marx to Weber. His father was Javanese and his mother Balinese, and despite his depiction of poverty in his autobiography, his family was well to do enough as a minor *priyayi*.[43] His father, being a theosophist, was deep into the Javanese religion. Sukarno himself grew up within a Javanese milieu and he would forever remain enthralled by the history and culture of Java, as was evinced in the amount of Javanese iconography that was erected as symbols of the Indonesian state during his period (and in fact continued under the Suharto dictatorship).[44]

Although a follower of Javanese religion, Sukarno was comfortable enough to venture into Islam during his period of banishments in the 1930s, writing several Islam-related articles.[45] In fact, a peculiar and enduring theme of Sukarno's belief has been corporatism, the possibility of reconciling the fragmented division of Indonesia's *alirans* into one imposing unity. In a 1926 article, Sukarno expounded his Nasakom[46] vision, which reasoned away the differences by stressing commonalities of the major strands of Indonesia's radical political movements: radical nationalist, Islamic revivalism and communism.[47] The most significant commonality was their anti-capitalist, anti-imperialist and anti-liberal drives and their call for Indonesian independence.[48] Sukarno was peculiar in that the ideas he espoused never fundamentally changed throughout his life. He had the same basic ideas in the 1920s as he had in the 1950s. His was an ideology that had little substance and no definitive structure, but it was this fluidity that enabled it to endure. The vagueness left open interpretation and re-interpretation.

Sukarno's ideas were developed within a deep anti-authoritarian state of mind, considering that he and all other nationalists had little access to

43 Leslie H. Palmier, "Sukarno: the Nationalist" in *Pacific Affairs*, Vol. 30, No. 2, June, 1957, p. 101-119.

44 This was especially apparent through the effect of *Taman Siswa* philosophy. CLM Penders, *Life and Times of Sukarno*, (Rutherford: Farley Dickinson University Press, 1974), p. 24. Tjipto Mangoenkoesoemo according to Dutch administrator Charles Van der Plas, was important in Westernizing Sukarno. Bob Herring, *Soekarno: Founding Father of Indonesia, 1901-1945*, (Leiden: KITLV Press, 2002), p. 132-134.

45 Lambert Giebels, *Soekarno, Nederlands Onderdaan. Een biographie, 1901-1950*, (Amsterdam: Bert Bakker, 1999), p. 214-218. Also see Sukarno, *Dibawah Bendera Revolusi*, *Volume 1* (Jakarta: Panitya Penerbit Dibawah Bendera Revolusi, 1964), p. 325-455.

46 Nasionalis-Agama-Komunis – Nationalist, Religion and Communism.

47 Bob Herring, *Soekarno. Founding father of Indonesia*, (Leiden: KITLV Press, 2002), p. 95.

48 C.L.M. Penders, *The Life and Times of Sukarno*, (London: University of Queensland, 1974), p. 30.

authority of the colonial state. Imprisonment and banishment had left them deeply distrustful of both the state and its institutions, particularly that of the court and judiciary. Like many of his fellow nationalists, he was much more enthralled by the ideas of Marxists, who were subscribing to the anti-colonial cause. Reading the works of Karl Kautsky, Rudolf Hilferding, Karl Renner and H.N. Brailsford, he came to equate colonialism, the state and capitalism as the same thing.[49] For him, the promise of technical and material progress that the West and its capitalist system offered was a lie. Sukarno kept harping on the sufferings of the people as a result of imperialism, something that was also acknowledged by the colonial government and its *Mindere Welvaartscommissie*. "Wasn't it (Colonial) Minister Idenburg who, twenty-five years ago, called the chronic needs as continuous suffering?"[50] He saw capitalism as a big pipe draining the wealth and prosperity of those people on the negative end of the modern imperial project. Colonial capitalism was producing indigenous proletariats, not a middle class.

Way before the Guided Democracy, Sukarno was suspicious of liberalism. Although the Netherlands espoused a social democratic ideology, the liberal elements of the Dutch state were the mainstay that endured in the Netherlands throughout the interwar period when many other European states turned to Fascism or Communism. The 1920s and 1930s saw many parts of Europe ending their experiment with parliamentary democracy and the rise of strong men as leaders of unified, racially purified nations, in the process displacing hundreds of thousands of people in Eastern Europe, and later on during the war killing millions.[51] Although the Netherlands never fell into extremism, its imperialist policies strengthened Sukarno's disdain for liberals. Here was a liberal, democratic and enlightened European state that was open to participation from its citizens through its own cultural version of *aliran*, the pillar society, and yet it was also the agent of Western capital draining the wealth of the people of the Indies.

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49 Sukarno, "Swadeshi dan massa-aksi di Indonesia" in *Dibawah Bendera Revolusi. Volume 1* (Jakarta: Panitya Penerbit Dibawah Bendera Revolusi, 1964), p. 121-157. His own idea coined in the term *Marhaenism* was rooted in the Marxist ideas of Karl Kautsky and Bakunin. Lambert Giebels, *Soekarno, Nederlands Onderdaan*, p. 80-81. Although borrowing from many Western thinkers, he didn't bind himself within a single Western frame of thought. Bob Herring, *Soekarno. Founding father of Indonesia*, (Leiden: KITLV Press, 2002), p. 102.

50 Sukarno, *Indonesia Menggugat*, (Jakarta: Departemen Penerangan, 1961), p. 55.

51 Mark Mazower, *Dark Continent: Europe's twentieth century*, p. 1-75.

Growing up in the aftermath of World War I, he sided with the leftist criticism of capitalism as heralding the end of the liberal order as a result of the loss of political control over the masses and *petit bourgeois*. Sukarno, like many of his nationalist compatriots had a much more positive outlook on the United States of America in Indonesia's pre-revolutionary period, and so he was probably unaware that the same process of industrial relations and the decimation of America's own *petit bourgeois* was happening at the same time.[52] There was thus a perception that democratic states were different from authoritarian ones. Sukarno grew up being explicitly anti-fascist in this regard. "The Indonesian soul is the soul of democracy, the soul of the common people (*kerakyatan*), while the fascist soul is anti-democratic, anti-people."[53]

He placed the rise of fascism entirely within the logic of capitalism, as an expression of the decline of capitalism in its last phase.[54] Within this Marxist view, fascism was the product of cooperation between the corporation and the petit bourgeois.[55]And yet, his obliviousness to the American change toward its own version of a military-industrial complex and the re-creation of society in the image of the modern industries of capitalism, left him unaware that American social scientists were exporting their version of capitalism through freewheeling agents or corporate giants to places like the Soviet Union and Nazi Germany.[56]

In a speech to Parliament during Guided Democracy, he said; "We can no longer follow the politics of liberalism…our revolution is a multi-complex revolution, a summing up of many revolutions in one generation, all of which generates conflicts. Without the leadership in providing planning in each of the fields and complexity of this Revolution, we will achieve a complexity

52 One of the first books to have warned about the dangers of the 'managerial revolution' was James Burnham, *The managerial revolution*.

53 Sukarno, "Indonesia versus Fasisme. Faham jang bertentangan dengan djiwa Indonesia, in *Dibawah Bendera Revolusi*, *Volume 1* (Jakarta: Panitya Penerbit Dibawah Bendera Revolusi, 1964), p. 457

54 Sukarno, "Beratnja perdjoangan melawan Fasisme. Perlunja menarik simpati kaum kleinburgertum dan kaum tani di Djerman, in *Dibawah Bendera Revolusi*, *Volume 1* (Jakarta: Panitya Penerbit Dibawah Bendera Revolusi, 1964), p. 549.

55 Sukarno, "Beratnja perdjoangan melawan Fasisme. Perlunja menarik simpati kaum kleinburgertum dan kaum tani di Djerman, in *Dibawah Bendera Revolusi*, *Volume 1* (Jakarta: Panitya Penerbit Dibawah Bendera Revolusi, 1964), p. 549.

56 Judith Merkle, *Management and ideology. The legacy of the International Scientific Management Movement*, p. 103-135.

in chaos. *We must have a planned policy. This is the central idea of Guided Democracy*. Our revolution is not a revolution for the sake of revolution, it is a highly planned, clear and certain type of revolution."[57] In fact, the word 'Guided' itself has a somewhat similar ring to the 'expert and manager-led' state and society. Sukarno's revolution was to be a long drawn-out revolution. Revolution occurs not in the span of months or years, but over decades long.[58] It is a rearrangement of the entire society, toward the creation of a *Socialism a la Indonesia*.

The role of the state was to guide the revolution, produce its elites and recreate society in the most logical and scientific fashion possible. Replacing atomized society, the state would eventually take over the economy. Quoting Abdulgani: "Within the framework of Indonesian society, economic co-operation and collective action will be effective, not nineteenth century Western individualism. In any case, the fact is that such individualism is outmoded even in the West. It has been displaced by State enterprise and monopoly, which leave little scope for the idealized capitalism of an earlier day."[59]

Liberalism was the ideology that was imposed on Indonesia to allow for the sinister neocolonial domination of international capitalism on society. Here we see a deep conundrum in the Guided Democracy revolution: despite Sukarno's sincere intention to apply his ideals of corporatism and unite the various strands of national ideologies in the country, his championing of the state as the prime agent of revolution meant, in essence, giving more authority to the bureaucrats than to anyone else. Within the Depernas development plan, this danger was acknowledged. Quoting E.H. Carr in his book *The Soviet Impact on the Western World*: "If on the other hand we neglect the "social" aspect, we shall fall into the heresy of efficiency for efficiency's sake and conclude that planning is simply the instrument of national power and national aggrandizement – the doctrine of fascism. Hitlerism took the name of national socialism. But the fact that it was not capitalist did not make it socialist: it approximated far more nearly to the conceptions of the

57 Sukarno, *Handbook on the Political Manifesto. Two executive directions of Manipol*, (Jakarta: Department of Information, 1961), p.

58 Sukarno, *Handbook on the Political Manifesto. Two executive directions of Manipol*, (Jakarta: Department of Information, 1961), p. 31.

59 Roeslan Abdulgani, *Beberapa Soal Demokrasi dan Ekonomi*, p. 38.

American "technocrats" or of Mr. Burnham's "managerial revolution" – the cult of efficiency for the sake of power."[60]

As we will see, in the initial Guided Democracy state, there was a genuine effort to involve a variety of people within the state.[61] It lasted briefly and acted only to strengthen the idea that the country needed the expert it once thought it could do without. The focus on planning or retooling, the institutional approach toward revolution and the centralization of power within bodies and experts highlights the difficulties of allowing 'society' into the 'state', while at the same time applying a planning program that was to be meticulous, scientific and efficient. "In the practice of development, there needs to be firm leadership. Without leadership, the development would be shaky, and could even result in the failure of a well-thought-out plan."[62]

This state-controlled idea, embodied in Keynesianism and Communist industrialism, represented the *Weltanschauung* of the era. This explains why Guided Democracy was so successful in bringing together a range of widely disparate groups within the government. The application of Nasakom to Guided Democracy, which entailed giving equal roles to the three major *alirans* in its various institutions, transcended the ideological divide. It also meant that the nation-state could go both ways, into either a communists or a military state. The real possibility of a Communist takeover seemed slim, even by the middle of the 1960s. Yet, the fear of one was enough to push the army to position it comfortably within the ever-expanding state institutions that was replacing the "nineteenth century individualism" of Indonesian liberalism. Many of the ideas of the army were founded, or at least voiced, by its most important member Army Chief of Staff General Abdul Haris Nasution.

Nasution

60 Quoted by the *Rantjangan Dasar Undang-Undang Pembangunan Nasional Semesta-Berantjana delapan tahun: 1961-1969, Buku ke I, Djilid II: Sosialisme Tripola Pembangunan, p. 236* was quoted in Dutch and left out the line: *Hitlerism took the name of national socialism* to leave out any comparison between socialism a la Indonesia with fascism. E.H. Carr, *The Soviet impact on the Western world*, (London: MacMillan and co., 1946), p. 27.

61 This was also Lenin's policy in his attack against the bureaucracy and his wish to draw the masses into direct management of affairs. E.H. Carr, *The Soviet impact on the Western world*, p. 17-19.

62 Quoted in D.H. Assegaff, "Aspek management dalam pembanguna semesta berentjana" in *Manager*, no. 30, 3, September, 1962, p. 274.

In many ways, Nasution was the opposite of Sukarno. Unlike Sukarno's Javanese credentials, Nasution was a Batak, a people living in the interior of North Sumatra around the Toba lake region. He was thus an *Outer Islander*. Unlike Sukarno's *abangan* religious beliefs, Nasution was a devout Muslim and continued to be so throughout his life.[63] Sukarno was brash and impulsive. Nasution was reflective and pragmatic. He had studied to become a teacher at the *Hogere Inlandse Kweekschool* in Bandung in 1935. Sukarno and other nationalists affected Nasution in the 1930s, where he initially experienced a maturation of his intellect.[64] Despite professing to opinions of nationalism, Nasution's essentially pragmatic character saw him deciding at the outbreak of the war to join the colonial army as, what he considered to be, a nationalist gesture.[65]

When the Netherlands capitulated to Germany in May 1940, Nasution volunteered as a cadet officer and was admitted, along with five other Indonesians, to the newly created Royal Military Academy in Bandung. Nasution specialized in infantry studies. After the fall of the Netherlands East Indies to Japan in 1942, Nasution slipped away and went into hiding in various areas in Java. After three months, he returned to Bandung after the Japanese released all Indonesian KNIL (Royal Netherlands Indies Military) soldiers. Knowing full well that the Japanese would be defeated ultimately, Nasution worked with a number of his KNIL colleagues, university students and youth leaders. He did this first by joining the Japanese-created paramilitary organizations. Instead of joining PETA, he then joined the Priangan Soldier's Aid Society and was elected to the governing board. He also worked as an army instructor for the Seinendan, Keibodan and other organizations. During 1944-1945, Nasution travelled often to Central Java. He once visited Major Oerip Soemohardjo, a retired KNIL officer with experience for military organization who would be appointed as the first chief of staff of the Indonesian army by Prime Minister Sjahrir in 1945. During the first year of the revolution, Nasution rose from being an army instructor to commander of the Siliwangi Division (1946). He would then

63 CLM Penders and Ulf Sundhaussen, *Abdul Haris Nasution,* p. 3.

64 A.H. Nasution, *Memenuhi panggilan tugas. Jilid 1: kenangan masa muda*, (Jakarta: Haji Masagung, 1990), p. 38-40.

65 A.H. Nasution, *Memenuhi panggilan tugas. Jilid 1: kenangan masa muda*, p. 64-65.

rise to become the Commander-in-Chief of the Armed Forces in Java (1948) and the Chief of Staff of the Army (1949-1952 and again 1955-1963).[66]

Many of his ideas concerning state-society relations were formulated during the revolutionary period, especially the emergency of the Second Dutch aggression (19 December 1948 – 5 January 1949), which, as chief of the operational staff of the Army Headquarter, resulted in the publication of his guerrilla instructions. Because of the lack of focus on the part of the political leadership, the army was never able to form a conventional ground force before the coming of the Dutch. Nasution blamed this indecision squarely on the bickering disunity of politicians. In contrast, he resented the ability of the Dutch to create, from scratch, a functioning working army within a short period of time in order to be deployed to the Indies. The lack of trust from politicians, especially from the Communists but also from the nationalists, in promoting the creation of a professional army, was the result of the fragmentation of the politicized public along party lines. With the allowance to create parties, patron-client relations were conventionalized along party lines, with unruly youth groups or *pemudas* being integrated into paramilitary organization under particular parties. The army thus competed for functions with party-based paramilitary organizations.

For the early part of the revolution, Nasution was busy trying to create a professional army within his West Java Siliwangi Division. The division was to become the most professional part of the army. Based in Bandung, it also contained most of the KNIL military elements that had decided to join the Indonesian revolution. There were plenty of military thinkers and strategists within the division, which allowed for sharing of ideas. Nasution's main ideas somewhat resembled those of Mao Tse-tung and can be summed up in Mao's statement about the military being a fish with the people being the water. A fish out of water is akin to a military without of the people's support, i.e. the people were an essential component.[67] The idea of guerrilla war was put forth and executed by Nasution during his tenure as Commander-in-Chief of the Armed Forces in Java, where he published a pamphlet on carrying out guerrilla war. As a military strategist, Nasution saw the implementation of *total war* as a central component of Indonesia's current and future security strategy.

66 CLM Penders and Ulf Sundhaussen, *Abdul Haris Nasution,* p. 8-11.

67 CLM Penders and Ulf Sundhaussen, *Abdul Haris* Nasution, p. 47-50

While Nasution's 1948 guerilla strategy was never fully implemented, the development of these ideas was essential to understanding his contribution to the Indonesian state. It envisioned the reduction of state-society relations within the dictates of a military strategy. "In this framework of total warfare the leadership could recruit and plan a strategy of the whole people for one aim."[68] During the 1948 aggression, Nasution created a "guerrilla administration," in which civil administrators who were not keen in 'cooperating' with the Dutch administration, left for the countryside and recreated the state. The experience reduced the legitimacy of the politicians and the assertion of their necessary presence to the functioning of the state. "The leadership is held by civilian authorities, with the assistance of the "territorial" forces, but in its relationship to war, everything must be brought under the supervision of the military leadership."[69] The idea was to arouse a 'total people's resistance' and the state would be handed over to the permanent military administration. In conforming to this idea, a military administration was created to mirror the civilian one. Thus, a Military Sub-District Command was created at the *Kecamatan* level, a Military Region Command for the *Kabupaten*, Military Sub-Territorium Command for the Residency and a Commander was created for every province. This idea was continued during the Guided Democracy under the *Tjatur Tunggal* system.

Guerrilla war is based on a decentralized leadership and must, in essence, be conducted on a local basis.[70] Much of this is modeled on the German military district or *Wehrkreise*, with the formation of seven independent military territories (*Tentara & Territorium*).[71] The military district is a product of militarized states, such as the America and Britain during the Second World War and the Chinese and Vietnamese variants that continued after the war. Lack of popular support for civilian counterpart legitimates the military administration as a serious alternative to the civilian one. The experience of a Wehrkreise became a model later on. Much of the military administration was continued through the decentralized divisions. The *Wehrkreise* unit was to be at the level of the sub-district (*kecamatan*), with a Military Sub-District

68 Abdul Haris Nasution, *Fundamentals of Guerrilla Warfare* (London: Pall Mall Press, 1965), p. 26

69 Abdul Haris Nasution, *Fundamentals of Guerrilla Warfare*, p. 89

70 In fact, "The most salient characteristics of the army was its local character." Ann Gregory, *Recruitment and Political Patterns of the Indonesian Elite: Guided Democracy and New Order*, p. 242.

71 CLM Penders and Ulf Sundhaussen, *Abdul Haris Nasution*, p. 55

Command as head, which were given the authority to issue regulations for the administrative harmony.

The assumption of the territorial decentralization saw the national leadership as merely coordinating and directing. "The military, political, psychological, economic and social wars are conducted on a regional basis. Complete decentralization is an essential feature of a guerrilla war."[72] The militarization of the administration would allow for a degree of decentralization within the bounds mandated by the army's vertical command structure. While decentralization allowed for flexibility, it was predicated on the highly reduced roles of civilian politicians and the civil administration. This 'territorialization' of command allowed greater control of the central military authority toward the regions.

For Nasution, the village had proven to be the most important component in guerrilla warfare. Territorial structure started from the village level, where the village head (*lurahs*) were assigned to create guerilla administrations with the help of territorial cadres. The *lurahs* were integrated into the lowest level of military governments. It was thus also the village that much of the social and economic works of the guerilla administration were to work on, despite the fact that much of the coordination was conducted on the sub-district level. This later on developed to become the military Civic Action program, but its roots were found in these military administrative period. The provision of basic schooling, eradication of illiteracy, provision of mobile clinics with a doctor (and sometimes nurses), were provided for by the military administration.[73]

The Idea of Guided Democracy

Both the ideas of Sukarno and Nasution focused on the state as provider of action. In Sukarno's case as a leadership that guides society into the path of revolution; in Nasution's, as an extension of the military, whose tentacles embraced the village and community level of the nation. Going back to the problem of authority that plagued the bureaucracy during the tumultuous years of revolution and parliamentary democracy in the 1940s and 1950s, the ideas espoused above tried to answer these questions. On the one hand,

72 Abdul Haris Nasution, *Fundamentals of Guerrilla Warfare*, p. 52

73 Abdul Haris Nasution, *Fundamentals of Guerrilla Warfare*, p. 144

revolution as an ideological banner inadvertently became a way to legitimate the guiding authority of the bureaucracy. As Sukarno stressed over and over again, Guided Democracy was a *planned policy*. During the initial years of the Guided Democracy, the experiment to create institutions that would enact a corporatist national plan.

Nasution's idea of total and territorial warfare elevated the role of the military as an essential component of state bureaucracy. The Guided Democracy state saw the extension of military, i.e. army, involvement throughout the bureaucracy and the economy. One might cynically surmise that this was an effort to spread corruption on a grand scale. Yet, that would be to miss the more important point of state authority and control. The military presence at the village level was an affirmation of the authority of the bureaucracy-cum-military state leadership. The army's deep relationship with parts of the civil society, students, criminals, labour organizations and so forth not only competed with its communist version during the Guided Democracy but was to regulate a specific sort of state-society relationship in which society was to be fully subordinated through these civil society clientele that was, in effect, extensions of the military.[74]

In the New Order, the army would thus provide the two things that the colonial state had provided, but which had been lost during the revolutionary and pre-New Order period. First was the safety of bureaucratic legitimacy and authority. The army as purveyor of power would convey to the bureaucracy authority through its power to protect them from civil society, especially parliament but also other parts as well. It also conveyed legitimacy through the implementation of a state ideology that put these bureaucratic experts on a pedestal: the ideology of development. Development was different from revolution purely as a result of its success and revolution's miserable failure.

Second was a bureaucratic extension to control of the rural areas. During the colonial era, the state used the traditional authority of the Pangreh Praja and its local bully clientele to provide this control.[75] The army, along with its own clients, would provide state control to its lowest level, thus leaving the bureaucracy with the job of planning development.

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74 Loren Stuart Ryter, *Youth, Gangs and the State in Indonesia* (PhD dissertation University of Washington, Seattle, 2002).

75 Henk Schulte Nordholt, "A genealogy of violence", Freek Colombijn and Thomas Lindblad (ed.), *Roots of Violence in Indonesia*, p. 33-63, who argued that the colonial state was a violent state and that 'criminal elements' such as the *jago*, were an integral part of state expression of power.

Although the core leadership of Demokrasi Terpimpin displayed a lack of coherence over key issues regarding the Guided Democracy state and ideology, there was one person who has succeeded in becoming Sukarno's main ideologue, a person who was capable of translating 'His Master's Voice' with accurate fidelity. This man was Roeslan Abdulgani, politician par excellence, former Minister of Information, who was several times accused of corruption and who, along with A.H. Nasution, the only inner circle to have made the transition to the New Order alive and thriving. It is difficult to gauge the sincerity of Abdulgani's words during the period. Yet, there was no doubt his influence on Sukarno and the regime as a whole. Casper Schuuring said, "Roeslan had een 'sturende hand' gehad in de zogenoemde geleide democratie."[76] Sukarno entrusted him with producing important papers and information on the Guided Democracy and Economy, and it was Roeslan who was asked to confer with Prof. Djokosoetono in developing a constitutional order for the new state.[77] The ideas he espoused in his writings had undoubtedly been culled by or had important major similarities with that of Sukarno from the very beginning.

This was different, for instance, with the other of Sukarno's inner circles. Djuanda's idea concerning the importance of democracy and his plea for what amounted to reform instead of revolution was very much put in a realist, liberal tone.[78] Nasution's ideas converged somewhat with the ideas that would be played out during the New Order.

Perhaps one of the most enduring features of early Guided Democracy thought was the deep distrust displayed of so-called 'experts.' It has never been explicitly determined who exactly these experts were or what type of expertise they actually conduct, but one major group that has sometimes been alluded to is the economist. There was a particular distrust of Western economists. As Abdulgani said: "I am no economist, and I have reservations about the purely professional approach of the economist. Particularly, I have

76 Casper Schuuring, *Abdulgani. 70 Jaar Nationalist van het Eerste Uur*, (Zutphen: Walburg Press, 2003), p. 47.

77 Sukarno, "Pidato Presiden Sukarno tentang "Demokrasi Terpimpin" dalam Sidang Dewan Nasional Ke – VIII tanggal 23 Djuli 1958" in *Demokrasi Terpimpin*, p. 2.

78 "Djuanda Terpaksa diadakan modifikasi, karena terbentur kepada realiteiten. Djadi didalam hal ini saja tidak berdiri sendiri akan tetapi berdampingan dengan orang jang mempunjai ideologie jang tinggi itu, akan tetapi tjukup realistis untuk melihat beberapa realiteiten dan menjesuaikan djalan selandjutnja kepada realiteiten jang ada." Quoted from Sukarno, "Pidato Presiden Sukarno tentang "Demokrasi Terpimpin", p. 2.

reservations about the purely professional approach of the non-Indonesian economists, who, while putting his great skill and knowledge at our disposal, is still outside the stream of our life, our hopes and desires."[79]

Roeslan Abdulgani's explicit dislike of economists can be summed up in another of his quotes. Siding with what he called the 'unprofessionals' as opposed to the professional experts, he said, "… it was these unprofessionals who created and forwarded the Indonesian Nationalist Movement which proved capable of leading the country to shake off the bonds of colonialism… There is no reason why such persons should be any less successful in the task of continuing the Revolution."[80] In a speech at the published at the *Mimbar Indonesia*, Sukarno was apparently angered when professors taught purely 'liberal economics'. "Can you believe that this morning I have received news from Mr. Prijono (Minister of Education and Culture) that made me angry. There was a university in West Java, where the economics professor, a foreigner, only teaches liberal economics. Can you believe it! I understand now why their students all become liberals."[81]

The problem was then not simply economics per se, but its particular Western version. The Indonesian must search for his own economic theory and experiment. "It is here, in connection with this effort to attain perfection, there lies the appropriateness of my recommendation to always "think and rethink", "shape and re-shape"… and not to immerse ourselves in textbook thinking alone, not to immerse ourselves in only swallowing everything stuffed down our throats from the outside, not just to immerse ourselves in the atmosphere of *Hollandsdenken* – Dutch way of thinking."[82] Sukarno's assertion of a "*Hollandsdenken*" is, of course, particularly interesting because

79 Roeslan Abdulgani, *Beberapa soal Demokrasi dan Ekonomi*, p. 36.

80 Roeslan Abdulgani, "The lessons of Indonesia's Experience of Planning" in *Politik dan Ilmu*, (Jakarta: B.P. Prapantja, 1962), p. 159.

81 "Tjoba, tadi pagi saja mendapat laporan dari Bapak Prijono, jang saja mendjadi marah. Ada sekolah tinggi, didaerah Djawa Barat ini, dimana ada professor ilmu ekonomi, professor ini orang asing dan professor ini tjuma mengkuliahkan ilmu eknonomi liberal tok. Tjoba! "Saja mengerti maka mahasiswa2 itu semuanja liberalis." Quoted in *Rantjangan Dasar Undang2 Pembangunan Nasional-Semesta-Berentjana delapan tahun: 1961-1969. Buku ke-I, Jilid ke II, Sosialisme Tripola Pembangunan*, p. 201.

82 Sukarno, *The Resounding Voice of the Indonesian Revolution. Supplements: Manipol-Usdek and the birth of Pancasila*, (Department of Information: Jakarta, 1965), p. 34. The dislike against economists was obviously also well-known amonst economists themselves. Widjojo Nitisastro commented that "there was a strong view among the public at the time that the science of economics was totally useless textbook thinking. Some even viewed this something

there were few Dutch economists working in Indonesia especially by the end of the 1950s. It would have made more sense to allude to the Americans, which Roeslan in fact did by lamenting on the failure of the first five-year plan that had been hatched by the State Planning Bureau (BPN), which had a considerable number of Anglo Saxon economists working in it:

> "Perhaps the plans have failed, and perhaps they have not even been applied, because they run counter to certain basic truth about our country. They are plans based on Western conceptions, and do not necessarily have validity in another political and social environment. I am prepared to admit that, in the realm of pure economics, they are certainly ideal, but no economic planning can exist in a vacuum. It is dealing with people living in a society. I know of no reason to support that Indonesian people will react the same way to the same incentives as Western people do."[83]

That the West failed to provide an adequate economic plan for the nation meant that Indonesia needed another plan, one that would throw away the constraints of textbook thinking.

> "To solve the economic problems of a nation that has been already formed, especially for nations that are called *nations arrivees*, perhaps the person of outstanding skills in the routine of economics would be required, very precise knowledge of economic science would be required, very highly technical, very "expert", knowledge of economics would be required. But praise be to God, I know that our economic problems do not have to be solved in a routine fashion."[84]

The revolutionary character of the Guided Democracy was to be placed in the hands of what he termed the 'non-professional'; those who has had experience in the real world, with a broad education and broad interests.

> "Government by experts is no substitute for democracy, any more than good government is any substitute for self-government. Again, that pattern of

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that could harm the way of life of the people." In Widjojo Nitisastro, *The Indonesian Development Experience*, (Singapore: Institute of South East Asian Studies, 2011), p. 3.

83 Roeslan Abdulgani, *Beberapa soal Demokrasi dan Ekonomi*, Buah karangan Roeslan Abdulgani dalam "The Far Eastern Survey" dan "United Asia", (Jakarta: Dewan Nasional, 1958), p. 36.

84 Sukarno, *The Resounding Voice of the Indonesian Revolution. Supplements: Manipol-Usdek and the birth of Pancasila*, (Jakarta: Directorate of Foreign Publications, 1965), p. 44.

thinking shows a deplorable lack of faith in the good sense and intelligence of the people."[85]

This belittling of the professional was a major theme of Sukarno's speeches, in which often he attacked those "bald headed non-political individuals and text-book thinking teachers."[86] This sentiment was to be displayed by the National Planning Council (Depernas), which was to be composed of the ordinary people, with a smattering of intellectuals. "Differing from the planning and development boards of yore, who restricted their membership to the expert-intellectuals, the Depernas will stress their membership on the *golongan karya*[87] who are rooted and live in the community without ignoring the advice and opinion of the experts."[88] The expert-intellectuals are motivated only by *careerism* and *professionalism,* which, according to Abdulgani, is the root problem of modern bureaucracy. Instead, the membership of the Depernas is of the *cultivated man*: "a person who has a general education and a wide and forward perspective, who may not be or not yet become a specialist, but who is not yet infected by the disease of modern bureaucracy."[89]

The assumption of Guided Democracy must be seen as an appeal for collectivism and the raising of the Indonesian mass as participants in its development. "With the creation of the Depernas we have entered a new

85 Roeslan Abdulgani, *Beberapa soal Demokrasi dan Ekonomi*, p. 19.

86 Selo Soemardjan, *The Changing Role of Intellectuals in Indonesian National Development: a Socio-Historical interpretation*, (S.n.: s.l., 1976), p. 14. The particular attack against the Economics Faculty of the University of Indonesia after the PRRI Rebellion and Sumitro's role, was directed by the leftist element and President Sukarno. Its relationship with Berkeley and the Ford Foundation made it an even easier target. John Bresnan, *At Home Abroad. A Memoir of the Ford Foundation in Indonesia, 1953-1973*, (Jakarta: Equinox, 2006), p. 41.

87 *Golongan karya* or *Golkar* functional groups are groups of associations based on their function in society (youth, women, farmers, journalists, intellectuals and so forth), which in Sukarno's ideal society were to replace political parties as the main component for political participation. Golkar was continued under the Suharto regime as a method of political control and became the main political party of the New Order.

88 Roeslan Abdulgani, *Sosialisme Indonesia*, (Jakarta: Jajasan Prapantja, 1963), p. 63, "Berbeda dengan dewan2 perantjang dan pembangunan jang dulu2, jang menitik-beratkan keanggautaannja kepada para intelek-ahli dan intelek-expert, maka Depernas mengutamakan keanggautaannja untuk golongan2 karya jang berakar dimasjarakat dan ditengah-tengah rakjat tanpa mengabaikan nasehat dan pendapat para ahli dan para expert."

89 *Ibid.,* "…seorang jang berpendidikan umum, dan berpandangan luas serta djauh kemuka, jang mungkin tidak ada atau belum gespecialiseerd, tetapi tidak kena tularan kesempitan pandangan dari penjakit birokrasi modern."

phase in the forms of development of our country and nation. This means that the past experiences must not be replicated again, a development plan that did not involve the masses, but was a purely academic plan that was incomprehensible to the rest of the Indonesian population."[90] As was discussed previously, the difference between collectivism and the absence of the masses was a difference between fascism or technocratism and that of a true socialism a la Indonesia. In a speech in front of the Depernas on August 1959, Sukarno said, "Within management there must be decentralization and democratization of control."[91] The state was to be decentralized and democratized by opening up its management, previously a strong monopoly of the experts. By empowering the unprofessional, it assumed the empowerment of the people, i.e. the mass. *Socialism à la Indonesia* was not merely a means for reaching the goals of the nation-state: it was the goal itself. Socialism was a *way of life* and one that was to be created through the adjustment, adaptation and acculturation of a Western idea, i.e. socialism, with the cultural base of the Indonesian nation. It assumed a deep wide-ranging changes within the Indonesian personhood. Including the need to adapt and acculturate rationality as a Western value within Indonesian culture, which has always been based on a deep spiritual belief.

The need to balance out Western rationality and Indonesian spirituality was a touchy subject. "The scientific/rational way of thought is something new to us Indonesians, because previously our culture has stressed on spiritual issues. This rational way of thought is the result of Western culture, where a harmonious relationship has been achieved between rational thought and the core values of Western culture."[92] But because of the divide in Indonesian

90 "Dengan terbentuknja Dewan Perantjang Nasional kita memasuki taraf baru dalam tata-tjara pembangunan negara dan bangsa. Ini berarti, bahwa pengalaman dimasa jang lalu dengan pembuatan rentjana pembangunan tidak boleh terulang lagi satu plan pembangunan jang tidak mendjadi plannja massa, tapi hanja merupakan satu plan akademis belaka jang tidak dipahami oleh sebagian besar Rakjat Indonesia" in *Rantjangan Dasar Undang2 Pembangunan Nasional Semesta-Berentjana delapan tahun: 1961-1969 Buku ke I, Pokok2 Pembangunan Nasional Semesta Berentjana, Djilid I: Pendahuluan*, p. 56.

91 Quoted in Runturambi, *Problim Management Ekonomi di Indonesia*, (Jakarta: Sumber Tjahaja, 1963), p. 8.

92 "Tjara berfikir setjara ilmiah/rasionil ini merupakan sesuatu jang baru bagi kita di Indonesia, karena sebelumnja kebudajaan kita lebih menekankan pada soal2 spirituil. Tjara berfikir setjara rasionil ini adalah hasil kehidupan kebudajaan di Barat, dimana telah tertjapai harmoni antara tjara berfikir setjara rasionil itu dengan dasar2 kehidupan kebudajaan bangsa2 Barat itu" in *Rantjangan Dasar Undang2 Pembangunan Nasional Semesta-Berentjana*

culture between belief and rational thought, it was important that the school did not only focus upon rationalism. It would result in the students regarding their own culture as worthless. This *intellectualist* foundation of the colonial education system had resulted in the estrangement of its Indonesian pupils toward their own culture. It resulted in the formation of a Westernized man: individualistic, materialistic, capitalistic, liberal and intellectual differing from the Eastern man, which was to be a collectivist and socialist, with a sense of family (*kekeluargaan*), focusing on harmony and giving weight to spiritual matters.[93]

The main appeal was thus directed to Indonesia's new educated youths, i.e. the future elite of the nation, at least those that hadn't yet received too much Western education. The university thus had a very important role in the process. Instead of liberal theories, they were expected to cultivate the ideas of scientific socialism.

> "Indonesian socialism needs thousands of young working cadres on all fields, and the University and its students should function to educate these cadres with the proper intellect, behaviour and goals as soon as possible."[94]

The university thus should not confine itself to producing experts. It should produce militant revolutionized youths between the ages of 20 and 25 years. It should not be a *sanctum sanctorum saevis tranquillis in undis*, an island of peace amongst the revolutionary upheaval, producing cynical, skeptical, hyper-intellectual and hedonistic (*leedvermaak*) young people. Universities should not be ivory towers, which would allow the importation of ideas that become barrier towards progress and socialism.[95] Sukarno reiterated the dangers of these types of intellectuals.

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delapan tahun: 1961-1969, Buku ke III, Bidang Mental/Ruhani dan Penelitian, Jilid V: Pola Pendjelasan, Bidang Kebudajaan dan Pendidikan, p. 1024.

93 *Rantjangan Dasar Undang2 Pembangunan Nasional Semesta-Berentjana delapan tahun: 1961-1969, Buku ke III, Bidang Mental/Ruhani dan Penelitian, Jilid V: Pola Pendjelasan, Bidang Kebudajaan dan Pendidikan*, p. 1024.

94 Roeslan Abdulgani, *Sosialisme Indonesia*, p. 96.

95 Roeslan Abdulgani, *Sosialisme Indonesia*, p. 98.

> "Cynicism would appear. The faith in the ability of their own nation would be shaken. The *inlander* souls look down upon their own nation and praise to high heavens the foreigners. Especially amongst the intellectuals."[96]

Abdulgani used the image of the helmsman assisted by experts to picture the Indonesian 'elite' under Guided Democracy. The experts would thus be relegated to the position of assistant to the broadly cultivated elite. In speeches to the Dewan Nasional conferences during the early years of Guided Democracy, Sukarno never once used the term *experts* (*ahli*) instead he used *intellectuals*. In comparison, Djuanda and Nasution both used the word 'experts' in a positive light. Djuanda said this about the Depernas; "If we can harmoniously put together the best experts of each field, then it would succeed."[97] Nasution said "because of that, the Depernas must be filled with experienced or highly educated experts to be a permanent advisor of the government that would guarantee the perfection of the plan by conducting dynamic planning and supervision."[98] Sukarno had reiterated several times of the experimental nature of the revolution and asked students and intellectuals to, in fact, fill in the blank spaces. "It is to you, youths who are pursuing knowledge, to the experts, to the professors, to all those with the intelligence of the mind, that I ask of you to enrich my ideas."[99] The idea of an intellectual supremacy over the more technical experts is, of course, an elite definition that would allow the position of the 1928-generation politician to continue under the onslaught of the new generation. By positioning the politician as

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96 Sukarno, "Penemuan kembali Revolusi Kita" in *Tudjuh Bahan2 Pokok Indoktrinasi*, p. 103, "Sinisme lantas timbul. Kepertjajaan kepada kemampuan bangsa sendiri gojang. Djiwa inlander jang memandang rendah kepada bangsa sendiri dan memandang agung kepada bangsa asing muntjul disana-sini, terutama sekali dikalangan kaum intellektuil."

97 Djuanda, "Pidato Perdana Menteri Ir. Djuanda tentang "Demokrasi Terpimpin" dalam sidang Dewan Nasional ke – VIII tgl. 22 Djuli 1958", *in Demokrasi Terpimpin*, p. 5, "Saja rasa bagi saja, ahli2nja bisa kita kumpulkan jang terbaik dalam komposisi jang harmonis, bisa."

98 A.H. Nasution,"Bahan Sidang Dewan Nasional ke VIII (landjutan) tentang "Demokrasi Terpimpin" oleh Let. Djen. A.H. Nasution," in *Demokrasi Terpimpin*, p. 1, "Oleh karena itu DPN harus berisikan ahli2 jang berpengalaman atau berilmu. DPN tersebut harus merupakan penasehat pemerintah jang continue untuk mendjamin kesempurnaan pelaksanaan dengan melakukan planning dan supervisi jang dinamis."

99 Kepadamulah, hai pemuda-pemudi jang sedang mengedjar ilmu, kepada Saudara2 ahli2, mahaguru2, kepada semua orang jang mempunjai intelligensi untuk berfikir, berusaha memperkaja ide saya ini. *Rantjangan Dasar Undang-undang Pembangunan Nasional Semesta-Berantjana Delapan Tahun: 1961-1969*, p. 202

helmsman in a boat, helped by the experts, the politician, as purveyor of the Revolution, would still have a role to play.

The fact that Djuanda and Mohammad Hatta, amongst others, support the new generation of experts, to what extent can we say about an intergenerational divide as opposed to what Feith has called the group divide between the solidarity maker and administrator? While it is true that there were some within the 1928-generation that were supportive of the new growing expertise in Indonesia, they themselves were never truly educated in the kinds of American social science that the new elite of the 1945-generation had been during the period. Among those of the 1945-generation, the great majority never obtained the kind of higher education that would put them on an elite mantel. The educational difference is a generational difference.

One of the first questions asked to Sukarno by a member of the *Dewan Nasional* concerning the Guided Democracy was its implementation outside the country. Sukarno had always stressed the ideology's universal nature, putting the Indonesian revolution within a spectrum of a humanity-wide revolution. He was to equate it favourably with the Chinese. Sukarno had visited China in 1956 and was highly impressed with the success of its industrialization programme. Interviewed by reporters, Sukarno said "if you were to ask me to make a comparison what I learned and experienced during my first wave of visits to the USA, Canada, Italy, West Germany and Switzerland and what I learned and experienced during my second wave of visits to socialist countries, I say firmly, once again firmly, that I gained more experience and knowledge during the second wave of visits."[100]

The roots of this fascination with China were based on alleged efficacy of Chinese collectivism, which was compared with Indonesia's idealized notions of its own village collectivism based on rural, non-feudal values of self-help and cooperation. "It is not to be denied that the development in the People's Republic of China is a development under the policy of a New Democracy or a People's Democracy, a type of state-society relations (*ketatanegaraan*) that is in accordance with the character of the Chinese nation. This is similar to the Guided Democracy, which we are implementing today in order to replace a worn and outdated liberal democracy. The wish of the people to be directed so as to participate in the development with efficiency in funds, time and forces

100 Baladas Ghoshal, *Indonesian Politics 1955-1959. The Emergence of Guided Democracy*, p. 96.

should be made real."[101] It also assumed that the incentives for development were inherently present within the people. China's backwardness and, thus, its seeming similarity with Indonesia during this period, concealed its capability for state managerialism and the relative efficacy of its civil service.

The Chinese were also quite skeptical about experts and, specifically, intellectuals. The main credentials of Chinese elite were their participation in the military. The Chinese were obtaining help from Soviet engineers in their industrialization programme, which would be discontinued in 1960 as a result of the ideological rupture between Beijing and Moscow. This was different from American aid to Indonesia that was to a large extent dominated by social science. It was no secret that the Chinese model had a very important influence to Sukarno. In comparison, Djuanda appealed for electoral reform so that voters had direct representation in parliament "so they would not merely represent the party, but would also represent voters similar to the system in England and Japan."[102]

The Guided Democracy state has a number of similarities and differences with the New Order state. Both saw the revolution and Indonesian socialism as having deep roots in Indonesia's ancient cultural past. This cultural root is the source of Indonesian socialist ideals. Thus although an important cultural root of Indonesian nationalism is contained within the Javanese shadow play, "the Javanese concept of "Ratu Adil", the Goddess of Justice," is used, "for it is again social justice which is meant here, not merely the implementation of laws, regulations and other social codes."[103] The Indonesian past is

101 "Dan suatu kenjataan jang tidak dipungkiri ialah, bahwa pembangunan di RRT tersebut, adalah pembangunan dengan rentjana keseluruhannja dibawah pimpinan kebidjaksanaan daripada Demokrasi Baru atau Demokrasi Rakjat, jaitu suatu bentuk ketata-negaraan jang sesuai dengan kepribadian bangsa Tionghoa, seperti Demokrasi Terpimpin ditanah Indonesia jang akan kita laksanakan dewasa ini untuk menggantikan Demokrasi liberal jang telah usang dan tidak memenuhi tuntutan zaman. Terutama hasrat Rakjat jang dikerahkan tenaganja untuk ikut membangun dengan melihatkan tendens untuk berhemat pembiajaan, waktu dan tenaga, hendaklah diperhatikan benar2, supaja ditimbulkan pula pada Rakjat membangun: berhemat biaja, waktu dan bahan." From *Rantjangan Dasar Undang2 Pembangunan Nasional Semesta-Berentjana delapan tahun: 1961-1969, Buku ke I, Pokok2 Pembangunan Nasional Semesta Berentjana, Djilid I: Pendahuluan*, p. 22.

102 Djuanda, "Pidato Perdana Menteri Ir. Djuanda tentang "Demokrasi Terpimpin" dalam sidang Dewan Nasional ke – VIII tgl. 22 Djuli 1958", p. 6. "Djadi kita mentjari systeem dimana anggota2 Dewan Perwakilan Rakjat itu lebih dekat kepada sipemilih, Dadji bukan sadja mewakili partai, tetapi djuga mewakili voters seperti ssyteem di Inggris, di Djepang."

103 Roeslan Abdulgani, *Manipol and USDEK in questions and answers*, (Jakarta: Department of Information, 1961), p. 36.

an agrarian-communitarian past, an ur-communist society whose latent socialism is inherent in its deepest make up.[104] The ancient past is thus shown to be socialist and leftist, not the glorification of a rightist, *culturalist* aristocratic culture.

> "Since ancient times, Indonesian society has been averse both to dictatorship and to the individualism of liberalism. The old system of government was based upon *musjawarah* and *mufakat* (consensus) with the leadership of a single central authority in the hands of a "sesepuh" or elder, who did not dictate, but led and protected."[105]

This idea of an elder who was not dictatorial was also to be used by the New Order to picture the ideal leadership. This is different from the feudal aristocratic assumption of authority based on heredity. Alluding to the ideas of the aristocratic nationalist Noto Soeroto, Abdulgani said that

> "Guided Democracy was not an Aristo-democracy or a Demo-aristocracy… This is because the term Guided Democracy is not a combination of the term Demos with Aristos, or the *Kawulo* with the *Gusti*. In other words, the Demos is not combined with Hero, Führer, Held or Il Duce, but with the idea of social justice; it is the synthesis between Democracy and Socialism."[106]

The body politic of the nation is to be pictured within the harmonious image of the family; "Guided Democracy is the democracy of the family system, without the anarchy of liberalism, without the autocracy of dictatorship."[107] Sukarno though, rarely used the image of himself as *father of the revolution* for his position in Indonesian society. In comparison to Suharto who fashioned himself as the *father of development*, Sukarno's depiction of himself was active, as being part of the youth.[108] The leadership of Guided Democracy was actually the leadership of an Idea, of the nationalist ideology of Pancasila. Perhaps the most peculiar nature of the ideas that was discussed

104 Roeslan Abdulgani, *Sosialisme Indonesia*, p. 12.

105 Roeslan Abdulgani, *Manipol and USDEK in Questions and Answers*, p. 40.

106 Roeslan Abdulgani, *Resapkan dan Amalkan Pantjasila*, (Jakarta: Jajasan Prapantja, 1964), p. 110.

107 Roeslan Abdulgani, *Manipol USDEK in Questions and Answers*, p. 39.

108 Instead of father of the revolution, he was its mouthpiece, signifying vigor and participation. This was inherently different from Suharto, who looked on with the benign and concerned visage of the father, or the Sultan from his throne.

surrounding Guided Democracy was its stated ideal toward democracy. By extension, it was coupled with keeping a healthy distance from the military. Obviously, the period in question was to see a greater increase in military participation in all walks of life, but within the writings of its main ideologues, with the exception of Nasution, the military was always assumed to be a state apparatus. It wasn't assumed that the structure of the state would or should mimic that of the military, an idea that was to have greater traction later on during the New Order.

The Ideology of the 1945-Generation

Selo Soemardjan, secretary to Sultan Hamengkubuwono IX and one of the pioneers in the development of sociology in Indonesia, explicitly divided the elite into three groups: the aristocrats, the religious leaders and the intellectuals. Differing from Geertz broad classification of the *abangan* and *santri*, Soemardjan placed greater emphasis on the third group whose power to legitimacy was made purely through education and technical capabilities. "It can even be said without exaggeration that a university degree in modern Indonesian social life functions in the same way as did the now de-socialized aristocratic titles before the 1945 revolution for national independence and democracy."[109] It is also of no irony, though, that many of the Indonesian intellectuals were composed of those men who had fought during the revolution and had the good luck of being family members of bureaucrats, i.e. the same aristocrats that he alluded to.[110] Few of the *santris* were to obtain access to post-graduate education in the West well until the 1980s, when a shift in foreign aid provided greater access to non-governmental organization to send non elite, i.e. non-state actors, for Western scholarship. Soemardjan's own acceptance of the difference between the feudal aristocrats and the modern intellectual was an admission of a generational difference.

First, the revolutionary credential was an important component of legitimacy. Several of Suharto's most important economic policy makers, including Widjojo Nitisastro, Mohammad Sadli and Subroto, were active

109 Selo Soemardjan, "The changing role of intellectuals in Indonesian national development", p. 4.

110 Ann Gregory, *Recruitment and Political Patterns of the Indonesian Elite: Guided Democracy and New Order*, p. 52. "The technocrats and the military came from the highest social status origins (97% and 71% respectively)"

in the war in a student battalion.[111] The revolutionary experience was as transformative to these people as it had been to the experience of Nasution.

Second was the American educational experience. For the top policy makers, America represented a formative influence that was not only important in determining the kinds of ideas that they had for the nation and the state, but more importantly, their stay in the USA was punctuated with an increasing sense of togetherness and a feeling of solidarity and common goals. In terms of economic policy making, it was in the dorm rooms of the University of California, Berkeley and in the halls of the Army Staff and Command School that the idea of a future Indonesian economy was thought out amongst the economists and the military men. Head of the School General Suwarto often asked the economists to stay the night at the compound to discuss about the Indonesian economy.[112] Widjojo Nitisastro came out as being the natural leader of a small team of economists (altogether 17 persons), which determined policy-making during the entire New Order period.[113] The American experience also underscored the importance of the university as a binding force among the group. "The technocratic elite led primarily academic lives, before and after the completion of their degrees,"[114] and the universities represented a mechanism for elite recruitment and for forging solidarity, just as the officer school and the military legal school reflected the military side of the equation.

As David Bourchier and Vedi Hadiz explained, the New Order national discourse seemed to be a mishmash of ideas that at first sight appeared to clash with one another. On the one hand, the state was seen to be *organicist*,[115] i.e., state-society relations was seen through familial, nativist and organic

111 Ann Gregory, *Recruitment and Political Patterns of the Indonesian Elite: Guided Democracy and New Order*, p. 327-357.

112 Emil Salim, "Tanpa tedeng aling-aling" in *Ekonomi Indonesia di Era Politik Baru: 80 Tahun Muhammad Sadli*, (Jakarta: Kompas, 2002) p. 6.

113 Ahmad Helmy Fuadi, *Elites and Economic Policies in Indonesia and Nigeria, 1966-1998*, (PhD Dissertation Universiteit van Amsterdam, Amsterdam, 2012), p. 75.

114 Ann Gregory, *Recruitment and Political Patterns of the Indonesian Elite: Guided Democracy and New Order*, p. 334.

115 David Bourchier and Vedi R. Hadiz (ed.), *Indonesian Politics and Society. A reader*, (London: RoutledgeCurzon, 2003), p. 27, also Anthony Reid, "Political Tradition in Indonesia: the One and the Many" in *Asian Studies Review*, Vol. 22, no. 1, (March, 1998), p. 23-38 and Barry Turner, *Nasution: Total People's Resistance and Organicist Thinking in Indonesia*, (PhD Dissertation Swinburne University of Technology, Melbourne, 2005), p. 1-28.

metaphors, with the state or elite being the father and the nation being the children. In following with Eastern ideals of family relationship, the emphasis was on harmony, not justice. The children were obliged to respect and follow the orders of the father. The roots of this organic notion were plucked from the ideas of the noted legal scholar Soepomo and then carried over into the New Order under Brigadier General Soetjipno and the Military Law Academy.[116]

The second strand of state-society relations was the emphasis on the communitarian and agricultural basis of Indonesian society, the roots of which came from the army's experience during the revolution and their anti-communist efforts at the end of the 1950s and 1960s, when they actively created and promoted civil organizations that were extensions of the army in various sectors of society. Many of these ideas were discussed by Nasution in his extensive collection of works, and were shared by a large majority of the army elite. Fearing social revolution from the agrarian population, which represented the majority of the Indonesian society as a result of communist agitation, the army's main concern was to develop and create programmes that would involve the military in the rural areas on a more-or-less permanent basis, as we will see in the chapter on the military.[117]

What was significant about the ideas of the New Order was actually how widely it was accepted amongst the elite. To be sure, there were differences between whether the economy should be opened up for investments or whether an import-substitution industrialization model was the better option. Another significant aspect was how many of the New Order ideas were actually a continuation of the ideas that had been developed during the Guided Democracy. As General Panggabean remarked during his opening speech at the second army seminar in 1966; "What we mean by the New Order is not a political, economic or societal order that is totally different from the Old Order… What we want is to do away with some of the Old Order way of thinking and social system that would be a hindrance to our goals of achieving our national dream."[118]

116 David Bourchier and Vedi R. Hadiz (ed.), *Indonesian Politics and Society*, p. 27.

117 Guy Pauker, "Political Consequences of Rural Development Programs in Indonesia" in *Pacific Affairs*, Vol. 41, no. 3, Autumn, 1968, p. 386-402.

118 "Jang kita maksudkan dengan Orde Baru bukanlah suatu tata politik, tata ekonomi atau tata masjarakat jang sama sekali berbeda daripada jang dinamakan Orde Lama… Jang kita mau buang djauh2 dari Orde Lama adalah beberapa tjiri tata fikir dan tata kehidupan jang

As Bourchier and Hadiz wrote: "the regime's managerial and developmentalist character grew partly out of Soeharto's close relations with Lieutenant-General Suwarto, the man who brought together Indonesia's first generation of US-trained economists and senior officers at the Army Staff and Command School (Seskoad)."[119] According to Koentjoro-Jakti, "the culmination of these trends emerged when all the ideas finally appeared as an ideological package under the authoritarian systems of Guided Democracy, and later, the New Order."[120] The traditionalist ideas of New Order *organicism* and rural bias developed earlier, as part of the revolutionary war or even as part of the effort by Indonesian intellectuals to understand the nature of Indonesian society during the colonial period.[121] Development, on the other hand, was an idea that appeared after independence, especially during the Guided Democracy period. What Sukarno called as 'revolution' was what many of New Order intellectuals termed 'development'. It's modernist and planned character, its managerial component, its almost fetish need to control and change society were shared.

In 1965-1966, several conferences were held at Seskoad and The University of Indonesia to discuss what the change in regime meant for Indonesian state-society relations. If one reads the speeches given at these conferences, one gains an insight into a project, which entailed molding traditional society into its modern form. At that junction, the New Order was fragile and illusory. The intellectuals who hailed from the social science halls of the Universitas Indonesia (especially the Faculty of Economics) and the school of staff and command in Bandung regarded their project from a respectable intellectual position and saw their nation-building project using the latest social science 'knowledge' with deep homage to Guided

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tidak mungkin dapat membawa kita ketudjuan nasional jang kita idam-idamkan dahulu" in *Amanat/Pidato, Prasaran dalam seminar AD ke-II, 1966*, (Jakarta: Pertjetakan negara, 1967), p. 3.

119 David Bourchier and Vedi R. Hadiz (ed.), *Indonesian Politics and Society*, p. 27.

120 He defined the trends as technocracy, elitism, populism and nationalism all of which were to at some variance similar to Bourchier and Hadiz's analysis. Dorodjatun Kuntjoro-Jakti, *The political economy of development: the case of Indonesia under the New Order government, 1966-1978*, (PhD Dissertation University of California, Berkeley, 1980), p. 29.

121 To what extent the rural bias of the army was a fully Indonesian invention is open to doubt. Although generally speaking, the roots of the army's civic action programme was attributed by Ibrahim Adjie's Siliwangi Division's effort for community development after a successful counter-insurgency programme mounted on the DI/TII rebels, there are possibility for its American roots.

Democracy's traditionalist-socialist roots. That Indonesia was under an intensely brutal clampdown which resulted in massive loss of life in a manner that seemed patently primitive, barbaric, and anti-modern, didn't seem to have fazed the modern outlook of the people in the conference. The violence was seen in terms of systemic excesses, a failure to control, and channel and command society by the old regime.

A persistent theme of many of the papers given in this conference was the almost logically assumed position of the military within a leadership position. In fact, both the society and the economy were seen in a militarized fashion, under the command of a militarized elite. Thus Emil Salim said that there was good reason for the launching of the Guided Economy by Sukarno because "economic activities cannot be put under the mercy of market powers alone, but would need to be controlled and commanded."[122] The Guided Democracy's effort at militarily controlling the economy and with Sukarno granting himself and the state's economic policy makers like Abdulgani, Soebandrio and Chairul Saleh with military ranks, weren't seen so much as a break with the perceived normal route toward modernity as a lack on the part of the leadership to orient themselves with development. Thus Sarbini Sumawinata contends, "Only a leadership that was 'developmentally oriented' could face the challenges of development. A leadership that failed to orient their goals toward development, fail to maintain stability within the community."[123] The doyen of the technocracy, Widjojo Nitisastro based on his support of a militarized economy on the natural quality of military leadership.

> "The raw determination to overcome economic difficulties in a responsible and disciplined manner can only be conducted if all of the government's

122 Emil Salim, "Politik dan ekonomi Pantjasila" in Widjojo Nitisastro (ed.), *Masalah-masalah Ekonomi dan Faktor-faktor Ipolsos*, (Jakarta: Terbatas, 1965), p. 103. "Oleh karena itu kebutuhan untuk melansir konsep Ekonomi Terpimpin. Kegiatan ekonomi tidak dapat dibebaskan pada kekuatan2 didalam pasar semata akan tetapi perlu dikendalikan dan dipimpin."

123 Sarbini Sumawinata, "Masalah stabilisasi politik" in *Amanat/Pidato, Prasaran dalam seminar AD ke-II, 1966*, (Jakarta: Pertjetakan negara, 1967), p. 48. "Hanjalah leadership jang "development oriented"-lah jangakan menghadapi tantangan2 tersebut. Suatu leadership jang orientasi-nja kearah segala sesuatu jang bukan pembangunan, pasti akan gagal mempertahankan stabilitas."

apparatus can work as one harmonious team with an effective 'unity of command' in the economic sector."[124]

Nitisastro would actually run a relatively tight ship within his group of technocrats and so his reference to a 'unity of command' was to a large extent aimed at technocratic policy makers. Yet, the militarized language was to concede the necessity of a military-run state, one in which the technocrats would eventually, hopefully, help in directing its leadership towards development.

The people were reconfigured within a new imagery: the masses. Barli Halim said, "the masses has a temporary relationship with its members, its relationship based on emotion and is less rational. The masses feels itself 'more powerful and more potent' than other people/groups or it has a tendency to blame other groups for something despite a lack of evidence."[125] Being a managerial specialist with an MBA degree, Halim reduced the people and their political aspiration to a form of mob and masses. Sumawinata's discussion about stability panders to this image of the masses. That a society transitioning from the traditional masses to its modern citizen contains within it political, social and cultural powers that will have to be channelled by the authority in a way that was to benefited the development process.

"The goal of political stability should be a dynamic stability, in which social forces should neither be suppressed nor equalized, but should be channeled and guided toward positive and productive activities. This type of stability is not in 'static equilibrium', but must be understood as a type of control and

124 Widjojo Nitisastro, "Persoalan ekonomi-tehnis dan ekonomi-politis dalam menanggulangi masalah2 ekonomi" in Widjojo Nitisastro (ed.), *Masalah-masalah ekonomi dan faktor-faktor Ipolsos*, p. 13. "Kebuletan tekad untuk menaggulangi kesulitan2 ekonomi dengan konsekwen dan dengan penuh self-discipline hanjalah dapat dijadikan kenjataan apabila alat2 pemerintah bisa bergerak sebagai satu team jang serasi dengan 'unity of command' dibidang ekonomi jang effektif."

125 Barli Halim, "Massa dan Media" in Widjojo Nitisastro (ed.), *Masalah-masalah ekonomi dan faktor-faktor Ipolsos*, p. 64. "Massa bersifat sementara dalam hubungan diantara para anggotanja, sedangkan tiap anggautanja lebih banjak beremosi dan kurang rationil. Berdasarkan ini massa mempunjai perasaan 'lebih kuat dan lebh perkasa' dari orang/golongan lain, atau massa itu tjepat menjalahkan golongan lain walaupun bukti2 tidak tjukup lengkap dan sebagainja."

supervision, in which all the tensions and conflicts be resolved in a peaceful manner, without killing its dynamism."[126]

The people as masses were seen in opposition to the nurturing and managing capability of the elite. In fact, the military elite was seen to be the opposite of the masses. Kartomo Wirjosuhardjo's article paints the inevitable picture of societal stratification and the need to place each group according to their place in society. If each group objectively knows where it belongs within the pyramidal structure of social stratification, then peace and harmony would reign in the body politic. This traditionalist and static view of society was ironically couched within a picture of a modern transition from the previous feudal society.

In fact, the top tier of the pyramid should be filled with a combination of three elites. First, the military elite with their "discipline, initiative, militancy and earnestness in doing their duty." Second, the secular intelligentsia, which are those "people who have obtained expert education, for instance doctors, economists, lawyers, engineers, agricultural experts, educational experts, journalists and others. This is a group of people who uses science and technology in their line of work. They have expertise in their field but sometimes lack the push to conduct real change." The third group is the entrepreneurs who are "creators or people who uses new ways to obtain great profits. They are motors of industry and trade and are composed of people who are always searching for greater success."[127] Each of these three

126 Sarbini Sumawinata, "Masalah stabilisasi politik" in *Amanat/Pidato, Prasaran dalam seminar AD ke-II, 1966*, (Jakarta: Pertjetakan Negara, 1967), p. 47. "…stabilitas politik jang harus ditjapai ialah stabilitas jang dinamis, dimana kekuatan sosial tidak ditekan ataupun diimbangkan, melainkan harus dapat disalurkan dan didjuruskan keareah kegiatan2 jang positif dan produktif. Stabilitas jang demikian ini bukanlah suatu 'static equilibrium', melainkan harus diartikan sebagai suatu penguasaan dan pengawasan keadaan, dimana semua ketegangan2 dan konflik2 dapat diselesaikan seetjara damai, tanpa mematikan dinamiknja.

127 Kartomo Wirosuhardjo, "Masalah kekaryaan ABRI" in *Amanat/Pidato, Prasaran dalam seminar AD ke-II, 1966*, (Jakarta: Pertjetakan negara, 1967), p. 197."Golongan militer mempunjai disiplin, inisiatif, militansi dan kesungguhan dalam melaksanakan satu tugas." "Golongan seculer intelligentsia ini terdiri dari orang-orang jang mendapatkan pendidikan keahlian, jakni dokter, sardjana ekonomi, hukum, teknik, pertanian, pendidikan, wartawan dan lain-lain. Golongan ini terdiri atas orang-orang jang dalam pekerdjaannja mengetrapkan ilmu dan tehnologi modern dalam praktek. Mereka ini mempunjai ketjakapan dalam bidangnja tetapi sering kurang mempunjai dorongan untuk perubahan-perubahan jang njata." "Golongan entrepreneur ini merupakan pentjipta-pentjipta atau orang-orang jang menggunakan tjara-tjara baru untuk memperoleh keuntungan atau hasil-hasil jang lebih besar."

groups working together can strengthen modernity among the masses. The people on the other hand, required the guiding hands of disciplined experts and creators. In fact, instead of power, the masses would be given culture.

A national culture based on the nation's history was essential in indoctrinating the people to accept this pyramidal structure with military-expert-businessman elite at the helm. Wirjosuhardjo again argued for the necessity of creating a culture that would be immune to outside cultural influences that have the devious tendency to seep into Old Order national culture. For instance, the Communist cultural forms of indoctrination with their general meetings or party parades with their flags, banners, drum band, traditional dancers and so forth. The usage of foreign terminology, which effectively replaces Indonesian ideas with those imported from outside, i.e. Communist's frame of reference: *progressive, revolutionary, socialist, patriots, the people*, etc. Social realist art forms that tend to "depict the importance of physical prowess in comparison to mental power, and their paintings of large-bodied people with strong hands and tiny heads."[128] As were songs and dances inspired by socialist/communist countries. What Wirjosuhardjo contends is that by allowing these type of cultural forms to exist in the country, it spreads their content across the wider community, thus allowing for subtle forms of indoctrination. Cultural forms are instruments and weapons in the elite's arsenal to control and channel the masses. The New Order would thus have to search for its own specific forms of national culture; and a return to tradition is what was offered by many social scientists. Selo Soemardjan called for the need to revive the old idea of role model in traditional society (*panutan*), whose roots went deep into Javanese society. The Javanese word *manut* means to follow, specifically to follow the leadership. The Javanese role model is passive, while its modern role would be active.

> "In other words, the role model of the past requires only *tut wuri handayani*, which mean pushing their influence from behind. But now role models within Indonesia's modern society are expected to take the lead and fulfil their role as *ing ngarsa sung tulada*, i.e. to give a good example up front. The

128 Kartomo Wirosuhardjo,"Re-thinking Dalam Indoktrinasi" in Widjojo Nitisastro (ed.), *Masalah-masalah ekonomi dan faktor-faktor Ipolsos*, p. 41. "gambar-gambar/lukisan-lukisan jang selalu menggambarkan pentingnja tenaga fisik dan kurang pentingnja kerdja otak, jaitu dengan lukisan orang bertubuh besar dengan tangan-tangan jang kuat, tetapi kepala ketjil." A decidely anti-intellectual form that was popular amongst the Communist of the period.

> appreciation of society in today's democratic age for their role models would surely increase if they also situated themselves as *ing madya mangun karsa*, which is to live in society and together work with society to build a strong spirit in the effort to create societal happiness and state magnificence."[129]

What is significant about Soemardjan's imagery is again their deeply feudal form taken from Javanese's long feudal past, something that the nationalists, leftists and many Islamist in Indonesia abhorred. Soemardjan, a loyal follower and personal secretary of Sultan Hamengku Buwono IX, and himself an aristocrat, must have had fewer qualms in painting a picture of modern Indonesian society through an aristocratic Javanese 'frame of reference.' Even more significant is, of course, his credential as the 'father of Indonesian sociology.' His American education did not conflict with what he saw as a rational way of ordering society. Wirjosuhardjo's ideas on indoctrination also have their roots in his study in America. A modern take on Indonesian culture thus took the form primarily of a feudal revivalism. The reason for this was the inherently conservative form of Indonesian intellectualism, since many of Indonesia's social scientists hailed from basically the same social class: Javanese *priyayi* bureaucrats.

Conclusion

The development of the Indonesian idea about authority and state-society relations evolved during the Guided Democracy. The change was partly brought about by both a generational shift from what I've termed, using Weinstein's analysis, the 1928 and 1945 generation. More importantly, the roots of these changes were entwined with the development of the 1950s and the expansion of education, which will be discussed in chapter 5. The

129 Selo Soemardjan, "Sifat2 panutan didalam pandangan masjarakat Indonesia" in Widjojo Nitisastro (ed.), *Masalah-masalah ekonomi dan faktor-faktor Ipolsos*, p. 53."Dengan perkataan lain, para panutan dalam zaman dahulu tjukup mengambil peranan "tut wuri handajani", jaitu memberikan pengaruh dari belakang. Tetapi sekarang para panutan didalam masjarakat Indonesia modern diharapkan tampil kemuka dan menempati kedudukan "ing ngarsa sung tulada", jaitu tampil kedepan untuk memberikan contoh. Penghargaan masjarakat dalam zaman demokratis sekarang terhadap para panutannja akan memuntjak tinggi apabila mereka itu djuga menempatkan diri "ing madya mangun karsa", jaitu hidup ditengah-tengah masjarakat dan bersama-sama dengan masjarakat membentuk semangat madju terus kearah kebahagiaan masjarakat dan kebesaran negara.

clash of ideas between Sukarno and expert economists represented a conflict over authority. The expert elite of the 1950s was considered to be a threat to Sukarno's corporatist ideas. What Sukarno wanted was not to destroy and eliminate experts, professionals and economists, but merely to discipline them. Force them to conform to his ideas of state-society relations that would allow the continued relevance of politicians.

Two things happened. The major decision makers of the 1950s had been sidelined and, more importantly, a new generation of experts was to work within the new Guided Democracy state corporate discourse. As we will see in Chapter 7, their study of Communist institutions increasingly drew them closer to the military managerial elites. The development of the military in relations to the corporatist state is an essential development of Guided Democracy that cemented Indonesia's long twentieth century military rule. The coalescence of experts and the military elite was a side effect of Sukarno's anti-expert ideology. The Guided Democracy thus had a profound role in molding this emergent elite.

CHAPTER II

The Military Expansion into the State

The formation of the military dual-function (*dwifungsi*) was one of the cornerstones of both the Guided Democracy and the New Order. This chapter looks into the structural transformation that allowed for the creation of a military legitimacy within the 'developmentalist' project of the Guided Democracy state. I will first look at the gradual centralization of army command around General Abdul Haris Nasution and, at the same time, the production of military elites. Following the work of both Rudolf Mrazek[1] and Ernst Utrecht,[2] I will look into the development of two different army doctrines: the *territorial doctrine* and the *Tri Ubaya Cakti*. These doctrines represented an ideological response to two army factions, the territorial elite who saw territorial management as the answer to the problems of coordination and the para-military elites who focussed on forward capability.

The question of control is essential here. The territorial doctrine aimed at expanded military control over other institutions within the central and regional governments. The revolutionary doctrine wanted the military to be under the command of Sukarno. In both cases, the formation of territorial and strike-command elites required education. The production of both a

1 Rudolf Mrazek, *The United States and the Indonesian Military, 1945-1965: a Study of an Intervention.*

2 Ernst Utrecht, *The Indonesian Army: a Socio-Political Study of an Armed, Privileged Group in the Developing Countries*, (Townsville: Southeast Asian Studies Committee, 1978).

military managerial elite and a para-command elite was often predicated on American help. This was especially true for the para-command elites of the Guided Democracy, which obtained educational grants from the Kennedy administration to go to the United States and obtain training in the latest counter-insurgency tactics.

Everett Hawkins calls the process by which Indonesians took on multiple jobs to make ends meet job inflation.[3] Similarly, an institutional inflation occurred within the military. The multiplication of military tasks after 1957 can be conceived as job inflation into civilian fields within an economy that was contracting. Initially, the extension of job provision was conducted as a result of foreign attrition caused by nationalization. The territorial commands during the second Martial Law period (1957-1963) also allowed for a greater role of the army within various posts.

The Revolutionary Period

During the war, Japanese control of Indonesia was conducted through three separate military administrations controlled by respectively the army and the navy.[4] Each administration pursued different policies, thus indigenous military organizations were prevalent in Java.[5] The Japanese also introduced army control at the neighbourhood level, the so-called *Tonari Gumi*.[6] Because politicians working under the Japanese were not allowed to organize at these

3 Everet Hawkins, "Job Inflation in Indonesia" in *Asian Survey*, Vol. 6, No. 5, May 1966, p. 264-275.

4 The 25th army division held sway Sumatra and the 16th division in Java. East Indonesia was under administration of the navy.

5 Paramilitary organizations and schools were effectively used to instill radical nationalism. M.A. Azis, *Japan's Colonialism and Indonesia*, (The Hague: n.a., 1955), p. 178.

6 This was translated into Indonesian into the still existing *Rukun Tetangga* (RT) and *Rukun Warga* (RW) system of security control. A committee was created in 1947 under the Minister of Interior Mr. Mohammad Roem, the Social Minister, Mr. Maria Ulfah Santoso and the Minister of Information and later Prime Minister Mohammad Natsir. In the fifties, it grew primarily in the urban areas and was used as proxies by political parties. The Guided Democracy started putting emphasis for social control through these RT/RK bodies, but it was the New Order state that had put it to good use. See *Rantjangan Dasar Undang2 Pembangunan Nasional-Semesta Berentjana delapan tahun: 1961-1969*, VIII book, Edition 16, p. 2518, see also Shigeru Sato, *War Nationalism and Peasant: Java under the Japanese occupation*, (Armonk: Sharpe, 1994), p. 72 and 74-75, and David Kilcullen, *The political consequences of Military Operations in Indonesia*, University of New South Wales-PhD, 2000, p. 32-33.

levels, local state presence was expressed in military forms. 'The system was a means of coercion, propaganda, information collection, aid distribution and control over the population.'[7]

The PETA[8] was the first army in history commanded and controlled by Indonesians. By December 1944, PETA had 66 battalions in Java, with a total estimated force of over 37,000 soldiers by 1945. The number of Indonesians involved in various military and para-military organizations was estimated to be in the order of 2 to 2.2 million people. Indonesian politicians were never able to form a comparable administrative or organizational presence at the local and village level during this period. Guerilla operations weakened central command, resulting in regionalization of military power.[9]

Military control over the territories contributed to the idea of Indonesia's state-society relations. Robert Cribb writes that Nasution's principal contribution to the study of guerrilla warfare was his ability to depoliticize it, unlike the politicization of people toward social change that was espoused by such generals as Vo Nguyen Giap.[10] The depoliticized nature of Indonesia's guerrillas stemmed from both Nasution's modernist aspiration to create a professional army and what can only be regarded as Indonesia's elite distrust of the masses.[11] Nasution strove to create a conventional and professional force that could meet the Dutch at their level. This was important in the republic's diplomatic effort to convince the outside world of the capability and legitimacy of the Indonesian state.

Nasution's idea of guerrilla warfare was conceived when he was Commander of the Java Army in 1948, in which he was the executive of both the military and civilian authority.[12] With the formation of a military

7 David Kilcullen, *The political consequences of Military Operations in Indonesia*, (PhD Dissertation University of New South Wales, Sydney, 2000), p. 33.

8 Pembela Tanah Air or Defenders of the Homeland.

9 David Kilcullen, *The political consequences of Military Operations in Indonesia*, p. vii.

10 Robert Cribb, "Military Strategy in the Indonesian Revolution. Nasution's Total People's War in theory and practice" in *War and Society*, Vol. 19, no. 2, 2001, p. 150.

11 The masses was seen as a destabilizing and destructive force that requires a vigilant redirection to productive purposes in an image that equate it with river torrents and the government with the engineer's ability to redirect flows toward irrigation purposes. Something which came up during the seminars held by the military and economists during the transition period of the Guided Democracy and New Order periods.

12 Salim Said, *The Genesis of Power: Civil and Military Relations in Indonesia during the Revolution for Independence. 1945-1949*, (Singapore: Institute of Southeast Asian Studies,

government, the heads of the divisions automatically became military governors for their respective provinces. At the residential level was the sub-regional military command or STM.[13] Beneath this was the district military command[14] or KDM paralleling at the district (*kabupaten*) level. Lastly, at the sub-district level (*kecamatan*) was the sub-district military command[15] or KODM. Only at the village level was there a non-militarized executive level. Yet, the *lurahs* were now responsible not to its civilian line of command, but to the KODM.[16] The *Wehrkreise* or *independent units* formed the main organization of the mobile units. Most STM commanders were also a *Wehrkreise* commander.

This system predated the 1948 reorganization of parallel military government and was created in October 1947 after the First Dutch Military Aggression. It was initially created to support the image of the Siliwangi Division as being under one command, although many of its troops had spread out after the attack and partial occupation of West Java by the Dutch forces in July and August 1947. Instead of utilizing the territorial units, the mobile units were also assigned to assist the Military Government in local administration. The paralleling and subordination of the civilian administration under the military was followed by the decentralization of the local territories by local military administration.[17]

The *guerilla-ization* of the civilian administration was not only limited to the executive administration line, but spread out to include much of the public goods service of the government, including the police and judicial courts, taxation, information services, public health, education, manufacturing and so forth.[18] The military commander put to good use an auxiliary force called the territorial cadres, composed of civilian trained workers, to do the essential and technical jobs that were required for these public goods provision. This replacement of civilian functions by military

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1981), p. 195-196.

13 Sub-Territorium Militer

14 Komando Distrik Militer, later known for its abbreviation Kodam.

15 Komando Onder-District Militer. Salim Said, *The Genesis of Power: Civil and Military Relations in Indonesia during the Revolution for Independence*, p. 195-196.

16 Salim Said, "The political role of Indonesian military: past, present and future" in *Southeast Asian Journal of Social Sciences*, Vol. 15, No. 1, 1987, p. 17.

17 Salim Said, *The genesis of power: Civil and Military Relations in Indonesia during the revolution for independence*, p. 199-200.

18 A.H. Nasution, *The Fundamentals of Guerilla War*, p. 26.

ones during the direst episode of the revolutionary war, confirmed the beliefs of many people in the military that the political elite was not indispensable for the running of the state.

What we have during the revolutionary war was thus the development of a segmented army, whereby guerrilla warfare led to the creation of military fiefdoms at various local levels. The result was a territorial army, in which army divisions were manned and officered by people of the same locality.[19] The failure of the political elites to extend their administrative authority outside of the capital was compounded by the failure to effectively integrate the segmented military under civilian supremacy. The social democrats controlling the government had a modern and professional vision of the army that provided backing to ex-KNIL officers to head the military, initially under General Urip Sumohardjo (1893-1948). In 1945, when the army voted for Sudirman (1916-1950), an ex-PETA officer, the government had no power other than to accept the decision.[20]

Yet, as Ruth McVey has shown, the segmentation of the military was more than made up by the fact that the army came out of the revolution without a significant divergence in ideological background. The left-influenced part of the army was destroyed during the Madiun rebellion and the subsequent clampdown. The conservative-colonial part of the army, the KNIL, achieved such notoriety that its participation after the transfer of sovereignty was made impossible, although some of those occupying positions at the Chief of Staff were of KNIL extraction. Lastly, the Islamic influence was reduced by the end of the revolution with the decision of Islamist units to part with the republic and embark on a protracted guerrilla war for the establishment of an Indonesian Islamic State.[21]

19 Daniel Lev, *The Transition to Guided Democracy: Indonesian Politics, 1957-1959*, (Ithaca: Cornell Modern Indonesia Project, 1966), p. 12.

20 Salim Said, *The genesis of power: Civil and Military Relations in Indonesia during the revolution for independence*, p. 98-103.

21 Ruth McVey, "Post-revolutionary transformation of the Indonesian army" in *Indonesia*, no. 11, April 1971, p. 131-176.

The Centralization of the Army in the 1950s

The Indonesian military carried an inherent divide between the Dutch-educated KNIL officers and the Japanese-educated PETA, *Laskar* and Youth troop officers. Broadly speaking, the division has been attributed by Benedict Anderson and Ruth McVey to the two groups. On the one hand was the group that coalesced around the venerable war hero General Sudirman. Sudirman reached mythical status for his role as a military, but also spiritual, leader of the wider army. The Sudirman group was based in the Diponegoro Division of Central Java and was highly imbued with the notion of the spirit of 1945[22], an almost spiritual concept that attributed positive value to the feelings of revolutionary fervor.[23] This group was highly homogeneous, with the majority of its officers being local Javanese. They lacked the know-how in modern techniques and organizational capability.

The other group was the one that coalesced around the figure of former KNIL-officer General Urip Sumohardjo. The group was based in the former Dutch army headquarters in Bandung and the Siliwangi Division of West Java and was composed of Dutch-trained, westernized individuals like A.H. Nasution and T.B. Simatupang. In 1945, Urip Sumohardjo convened with 13 other former KNIL officers to pledge their allegiance to Indonesia and begin to create a modern military. So the divide in the military was between a Javanese-speaking, *priyayi*-centered, PETA-trained group and a Dutch-speaking, cosmopolitan-intellectual, KNIL-trained group which contained a large proportion of Outer Islanders.[24] The latter group's 'ability to deal with administrative problems, Republic-level politics and Dutch counterparts brought them into top positions in the course of the war for Independence.'[25]

22 *Semangat 45*

23 Benedict Anderson and Ruth T. McVey, *A preliminary analysis of the October 1, 1965, coup in Indonesia*, (Ithaca: Cornell Modern Indonesia Project, 1971), p. 4. "For soldiers of this kind, revolution is more drama than reconstruction, violent action rather than transformation of institutions. Soldiering itself is less a matter of techniques and skills, than the development of moral and spiritual faculties through a kind of modernized asceticism. A good soldier is identified by the kind of man he is rather than by his effectiveness on military exercises."

24 Anderson Benedict and Ruth T. McVey, *A preliminary analysis of the October 1, 1965, coup in Indonesia,* p. 1-6.

25 Ruth McVey, "The Post-Revolutionary Transformation of the Indonesian Army" in *Indonesia*, p. 134.

Although lacking some of the wider support that Sudirman enjoyed, the Sjahrir, and later Hatta, cabinet were supportive of the Bandung group and proceeded to elect people from the group to head the failed to help modernize the army, the reconstruction and rationalization (*re dan ra*)[26] process, coined by Nasution in 1948. General A.H. Nasution obtained the position of the Army Chief of Staff following the death of General Oerip Soemohardjo in 1948. Taking in the reins during the second military clash with the Dutch, Nasution would start to build his ideas of the role of the military in society as a result of that clash.[27]

With the end of the revolutionary war and the formation of the United States of the Republic of Indonesia cabinet, Prime Minister Hatta's policy to reduce the number of civil servants was followed by the military, which aimed to reduce the number of fighters in the army through a series of rehabilitation programmes that would allow for the transition to civilian life. Unfortunately, the project was a failure. Transmigration and community development schemes would have allowed thousands of former fighters to start new lives,[28] but the implementation was less than satisfactory.[29] Many of these former fighters took up roles in the new and democratic society of the 1950s as gangsters, henchmen or took up roles in party and mass-based organizations. At any rate, there was resentment toward the civilian leadership's lack of concern for the well being of veterans of the revolutionary war.[30]

As Chief of Staff, Nasution would initiate the *re dan ra* again in 1950, with the consent of Prime Minister Hatta, in the hope of creating a small but modern army. This modernization was backed by many of the former-KNIL officers, notably Minister of Defence Sultan Hamengkubuwono IX and the Secretary General of Defence, Ali Budiardjo, a PSI sympathiser. Half of the partisan membership left the army, including officers. Consequently, there was a shift in the social background of the military officers.[31]

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26 Rekonstruksi dan rasionalisasi (reconstruction and rationalization). Ernst Utrecht, *The Indonesian Army*, p. 14.

27 Abdul Haris Nasution, *Fundamentals of Guerrilla Warfare*, p. 25.

28 Report of the Social Ministry to the Prime Minister on the National Planning Board, Jakarta 15 June 1951, ANRI, Kabinet Presiden Republik Indonesia, 1950-1959. Inv. Nr. 1277.

29 Abdul Haris Nasution, *Tjatatan Sekitar Politik Militer Indonesia*, (Jakarta: Pembimbing, 1955), p. 349-350.

30 Abdul Haris Nasution, *Tjatatan Sekitar Politik Militer Indonesia*, p. 204.

31 Ernst Utrecht, "The Indonesian army as instruments of repression" in *Journal of Contemporary Asia*, Vol. 2, no. 1, 1972, 58, Ernst Utrecht, *The Indonesian Army,* p. 7 and R.E. Elson,

Parliamentary members voiced their support for the partisan grievances, attacking Nasution's effort at army modernization and his willingness to work with the NMM.[32] The parliamentary attack on the military leadership under Nasution and T.B. Simatupang led to the 17 October 1952 affair, in which Nasution's military faction tried to force President Sukarno to dissolve Parliament and take over as a dictator. Sukarno managed to defuse the situation and convinced the troops surrounding the palace to go home and prevented the death of parliamentary democracy until the later part of the 1950s. This action disgraced Nasution who had his position as Chief of Staff annulled. Parliament voted in a new and more neutral Army Chief of Staff: Major-General Bambang Sugeng.[33]

The shift toward the PETA faction in the military might have signaled the weakening power of the modernizer faction that had supported reconstruction and modernization, and the formation of a military based on the rule of military experts, in both the administrative and modern fighting skills. Yet, Chief of Staff Bambang Sugeng made an honest effort to bridge the gap. This culminated in the Yogyakarta Charter of February 1955. This meeting of the most important military elites resulted in ending the bickering between the KNIL and PETA groups under the threat of politicians who had been trying to enforce civilian supremacy over the national army. Under Minister of Defence Iwa Kusumasumantri there was an effort to rid the army of any officers that had connection with the 17 October 1952 affair.

With the support of the PETA faction, Nasution was able to swiftly move to dominate the army leadership. Support by some officers of the Siliwangi division in Col. Zulkifli Lubis's attempt to overthrow the government improved Nasution's image. With the PKI emerging as the fourth largest party in Parliament after the 1955 election, Nasution increasingly called for the dissolution of the parties, a demand that would stir Sukarno's interest later on. In 1956, Nasution announced plans to rotate territorial commanders, which would weaken the hold of these military men and their fiefdoms in order to slowly bring the fragmented and decentralized military under the

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Suharto, a political biography, (Cambridge: Cambridge University Press, 2001), p. 61.

32 Nederlands Militaire Missie, the Dutch military mission which was created in accordance to the Round Table Agreement to train the Indonesian armed forces in modern warfare for a period of five years. It ended in 1963 and was not renewed.

33 Ulf Sundhaussen, *The Road to Power. Indonesian Military Politics. 1945-1967*, (Kuala Lumpur: Oxford University Press, 1982), p. 74-75.

leadership of Jakarta. Regionalist displeasure against Jakarta resulted in the PRRI[34] rebellion and was joined by the PSI and Masyumi leadership.[35]

From 1955, a relatively solid army was being created, supporting the position of A.H. Nasution.[36] Units and commanders reluctant to back-up Jakarta rebelled and eventually merged into the PRRI/Permesta movement, whose core consisted of Masyumi and PSI members. This eventually led to the banning of these two pro-Western, anti-Communist and influential parties. The success of the army in quelling the rebellion meant the destruction of the once independent authority of regional commanders. The new regional commanders represented a more tightly knit, centralized group. The centralization of army command in the 1950s was an important prerequisite to later developments related to the rise of the New Order military regime.

Anti-Corruption and the Road to Power

During Nasution's civilian stint (1952-1955) he published his ideas concerning the role of the military in modern Indonesian society.[37] The hope of the 1955 election in creating a non-corrupt and stable government was dashed when the Second Ali Sastroamidjojo Cabinet proved to be as corrupt and incapable as previous ones.[38] The period of 1955-1957 thus represented a litmus test of the workability of civilian leadership in staving off an increasingly hostile camp of the anti-liberal.[39] At the Technical Faculty of the University of Indonesia in 1955, Sukarno reiterated his feelings for the

34 *Pemerintah Revolusioner Republik Indonesia* or Revolutionary Government of the Republic of Indonesia was a rebel movement by regional army officers who were dissatisfied with Jakarta's policies and conduct.

35 Herbert Feith and Daniel Lev, "The end of the Indonesian rebellion" in *Pacific Affairs*, Vol. 36, No. 1 (Spring, 1963), p. 32-46.

36 Ulf Sundhaussen, *The Road to Power. Indonesian Military Politics. 1945-1967*, p. 79-88, Harold Crouch, *Army and Politics in Indonesia*, p. 32.

37 Including the publication of his most important work on guerilla warfare. This was later translated into English and was particularly appreciated as a non-Leftist approach toward guerilla warfare.

38 Herbert Feith, *The decline of constitutional democracy in Indonesia*, p. 462-473.

39 In particular, the Murba party which came out as a supporter of Sukarno's Konsepsi later on.

democratic system by saying that "parties can disappear but the universities must not."[40]

On 14 September 1956, Nasution held a meeting with the National Security Board specifically to design the course to be taken by the military in regulating the press and eradicating corruption.[41] The public rationale for greater military involvement in civilian affairs was thus to eradicate corruption, an effort justified by the failure of Parliament to enact an anti-corruption bill that had been voted during the Burhanuddin Cabinet and failed to materialize into law before the Guided Democracy.[42]

The end of the Second Ali Sastroamidjojo Cabinet paved the way for an aggressive military participation in executive affairs. When Ali Sastroamidjojo handed over his mandate to the President at 10 am on 14 March 1957, it took Sukarno 30 minutes to declare martial law.[43] On 9 April, Chief of Staff and military ruler A.H. Nasution issued a Regulation on the Eradication of Corruption, whose broad definition of corruption included persons or bodies which directly or indirectly result in the financial or economic loss to the state and persons upholding a position who receive a salary from the state and through using their authority, power or opportunity provided by the position has, directly or indirectly, resulted in a financial or material benefit to him/her.[44] On the same day, Nasution set-up a system of military observers within the civilian bureaucracy, keeping an eye on the government departments.[45]

On 28 March 1957, one day after Nasution's announcement to investigate allegedly corrupt government officials, 12 civil servants were called in by the commander of the military police corps (CPM). The newspaper Keng Po published their names, which included Dr. A.K. Gani, Mr. Iskaq Tjokroadisurjo, Dr. Ong Eng Die, Mr. Kasman Singodimedjo, Mr. Tan Goan-Po, Dr. Sumitro Djojohadikusumo, Mr. Sjafruddin Prawiranegara, Mr. Jusuf Wibisono, Dr. Lie Kiat Teng, Dr. Saroso, Arudji Kartanegara, Djamaluddin

40 Tangkas, 10 February 1955.

41 Duta Masyarakat, 17 September 1956.

42 Duta Masyarakat, 11 April 1957 and ANRI, Jakarta, Kabinet Presiden Republik Indonesia, 1950-1959, inv. nr. 1939.

43 SOB or Staat van Oorlog en Beleg (State of War and Siege)

44 Duta Masyarakat, 11 April 1957.

45 National Archives of Australia or NAA, Canberra, A1838, Army intervention on civilian affairs.

Malik and others.[46] In total, 37 people went under investigation, with 11 people officially held by the CPM. Among these, several very important names stood out: Mr. Iskaq Tjokroadisurjo, former Minister of the first Ali Cabinet, Dr. Ong Eng Die, former Finance Minister of the first Ali Cabinet and Mr. Jusuf Wibisono, the Masjumi Finance Minister in the second Ali Cabinet. Sumitro Djojohadikusumo evaded incarceration as he had been in Tokyo on a conference about finance.[47] He went to West Sumatra to join the PRRI rebellion.[48]

By December 1957, the take-over of Dutch-owned companies had begun and the sudden explosion of new posts in both civilian state institutions and newly nationalized state-owned companies opened the opportunity for military officers to find their way into the civilian state structure.

The 9 April Regulation on the Eradication of Corruption was a milestone for Indonesia, for it represented the first legal move to eradicate corruption. Yet it was part of a broader changes enacted by the military.[49] On 27 May 1957, Nasution enacted a regulation to supervise property, followed by a 21 June 1957 regulation on the confiscation of materials gained through unlawful acts. A series of regulation was enacted throughout the period: on 16 October 1957, a regulation on the supervision of property owned by the Military Rulers and other state officials; on 28 October 1957, on the formation of a supervision team and its work programme and the guidelines for supervisors of property; on 16 December 1957, on the selling and limitation of use of confiscated materials; on 18 March 1958, on the supervision of the circulation of essential items; on 16 April 1958, on the investigation and prosecution of corruption and supervision of materials; on 14 May 1958, on the formation of a Coordination Body on Property Investigation[50]; and 9 August 1958, on the supervision, limitation of use and sale of confiscated property. Thus a series of increasingly stringent regulations

46 Keng Po, 28 March 1957.

47 Duta Masyarakat, 9 May 1957. NA The Hague, Bevelschrift voor aanhouding Prof. Soemitro, inv. nr. 382.

48 Duta Masyarakat, 30 May 1957.

49 "Lampiran Perundang-undangan Peraturan Penguasa Militer" in *Hukum*, no. 7-8, 1957, p. 16-166.

50 *Badan Koordinasi Penilikan Harta Benda*

were created. The Committee on Corruption Eradication finally created The Property Investigation Unit[51] on 12 June 1959.[52]

The June 1958 formation of a team for the investigation of personal wealth was issued by the Justice Ministry to work in all provinces other than those in active rebellions or under Dutch occupation.[53] The Anti-Corruption Commission headed by Prime Minister Djuanda, completed a draft plan on the executive instruction concerning the composition, task and working method of the Coordination Body for the Investigation of Personal Wealth and Property in 1958. Because of the novelty of the entire approach, there were major difficulties to be overcome.[54]

A body on property investigation was considered essential to the task. The body would create an inventory of the property of civil servants or state organizations. The law forced people to disclose land, house and other property purchases and wealth.[55] Dozens of corruption cases were brought to court by end of 1959. Yet, it was also quite clear that the effects were rather disappointing.[56] The Military Ruler has decreed the need to create a list of trustworthy companies that should be screened and controlled regularly by the Ministry of Finance and Trade. The Military Ruler also saw the need to create financial supervision posts in each department and on the provincial and lower level government. Lastly, there was the formation of a Committee on Government Employee Rules[57] in an effort to stop civil servants from taking part in business and party politics. These anti-corruption efforts

51 *Penilik Harta Benda*

52 Panitya Anti Korupsi. Pemberantasan Korupsi, Kabinet Perdana Menteri Republik Indonesia, Jakarta, 20 May 1960. ANRI, Perdana Menteri Republik Indonesia, Inv. Nr. 518, *Nasional*, 19 November 1958.

53 With the exception of Central and South Sumatera, Sulawesi, Moluccas and West Irian.

54 Australia National Archive, Indonesian corruption (1956-1970), A. 1838.

55 Pemberantasan Korupsi, Kabinet Perdana Menteri Republik Indonesia, Jakarta, 20 May 1960. ANRI, Perdana Menteri Republik Indonesia, Inv. Nr. 518

56 Pemberantasan Korupsi, Kabinet Perdana Menteri Republik Indonesia, Jakarta, 20 May 1960. ANRI, Perdana Menteri Republik Indonesia, Inv. Nr. 518. The results for 1959 were: 48 cases in West Java, 10 cases in Central Java, 20 cases in East Java, 292 persons required to give property detail in Jakarta, 9 cases in West Kalimantan, 4 cases in Aceh and 9 cases in North Sumatra. The Regional Military Government (Territorium) handled these corruption cases.

57 *Panitya Negara Perantjang Undang-undang Kepegawaian*.

paved the way for the formation of the Committee for the Retooling of State Apparatus or PARAN.[58]

Army involvement in corruption was widely known, yet there was a lack of action on the part of Nasution.[59] It seems likely that he did not have the fortitude to push through his anti-corruption campaigns, especially against colleagues in the military. In any case, his effort to assert his presence within the Guided Democracy state in institutions he built were to be thwarted by President Sukarno, who would appoint Ahmad Yani after 1962 to replace him as Head of the Army. Yani "gradually ended the autonomous position of the army and brought the head of the army directly under the hands of Sukarno and, later pioneered by the police, was made obedient to the whims of Sukarno 'without reserve'."[60]

Officer Education

Army training had been conducted since the early years of independence. Ex-PETA officers started training in Tanggerang and Karawang. The establishment of the *Akademi Militer Nasional* on 28 October 1945, in Yogyakarta, was the first of its kind. Its curriculum was modelled on the basic training of *Shoodan-Tyoo*.[61] Complementing the colonial state's military academy in Bandung, the *Koninklijke Militaire Academie*, which was founded in 1940. On the Republican side, a school for officer was opened in Malang, although it was closed in 1948 after the Second Dutch Military Aggression. The military academy re-opened in 1950, but did not produce any officers, as sub-lieutenants (*vaandrig cadets*) were sent to the Dutch military academy in Breda to finish their education. In 1953, a committee was established in order to plan a complete military academy. It finally opened on 1 September 1957 as the National Military Academy (NMA) in Magelang, Central Java.[62]

58 *Panitia Retooling Aparatur Negara* or Paran. Laporan Panitia Retooling Aparatur Negara. ANRI, Bapekan, Inv. Nr. 345.

59 He did take action against Kol. Ibnu Sutowo for smuggling in Tanjong Priok. *Harian Rakjat*, 7 January 1959.

60 Abdul Harris Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, (Jakarta: GunungAgung, 1985), p. 214. "Ia berangsur2 mengakhiri posisi otonom TNI dan membawa pimpinan TNI langsung ditangan Bung Karno dan kelak dipelopori Polri ditingkatkan menjadi taat kepada Bung Karno "tanpa reserve"."

61 *20 Tahun Indonesia Merdeka. Jilid III*, (Jakarta: Departemen Penerangan, 1965), p. 217.

62 *National Military Academy*, (Jakarta: Kementerian Penerangan, n.a.), p. 5.

The National Military Academy was a college set up to produce officers. This was different from the SSKAD/Tjandradimuka academies that trained officers on a more advanced level. Candidates for the NMA were high school graduates who aspired for a military career. Those who finished NMA education reaching the highest rank of Chief Warrant Officer (*Pembantu Letnan*) would have the chance to attend the Staff and Command Schools.[63]

Far more important for the purpose of elite formation were the Staff and Command School of which there were two. The first was the Tjandradimuka School, which focused more on the ideological education of army officers. The second was the Staff and Command School (SSKAD). Both schools were located in Bandung. President Sukarno was a frequent lecturer at Tjandradimuka, a school that aimed at fostering the spirit of the 1945 revolution amongst the top leadership of the military. The school was built in 1951 under the directorship of Colonel Bambang Supeno, an ex-PETA officer. Tjandradimuka's nationalist and Javanese-oriented stance was in contrast with SSKAD's social-democratic and PSI-dominated orientation. It was considered by Nasution and Simatupang to be the centre for agitation against military modernization and they succeeded in closing the school down in 1952,[64] to the displeasure of Sukarno and Bambang Supeno.[65]

SSKAD was a school that embodied the efforts of military modernization. It was founded on 17 October 1951. The school aimed at educating future army officers with modern knowledge like scientific administration, military analysis and organizational know-how. Hatta made clear the needs of the post-revolutionary army: 'The revolutionary period needs officers with flaming passion, burned by the dream of fighting and independence. In this period, bravery is rewarded more than capability… Oftentimes, assertiveness in action is more precious than the ability to estimate strategies and tactics in a thorough manner.'[66] After the revolution '… aside from passion

63 *Aku ke Akademi Militer Nasional,* (Jakarta: s.n., 1957), p. 33.

64 Ernst Utrecht, *The Indonesian Army*, p. 41-46.

65 Ulf Sundhaussen, *The Road to Power. Indonesian Military Politics. 1945-1967*, p. 65.

66 *Buku Peringatan Lustrum ke I SSKAD. 17 Nopember 1951-17 Nopember 1956*, (Bandung: SSKAD, 1956), p. 6. "Masa revolusi menghendaki perwira yang semangatnja berapi-api, dibakar oleh tjita-tjita perdjuangan dan kemerdekaan. Dalam masa revolusi seringkali keberanian didahulukan dari ketjakapan, jang dianggap akan diperoleh berangsur-angsur didalam perdjuangan dan pertempuran. Seringkali ketegasan bertindak lebih berharga dari perhitungan strategi dan taktik jang dipikirkan dengan teliti."

and assertiveness, the capability to weigh and decide, based on military knowledge, strategy, tactics and knowledge of society is needed.'[67]

By 1953, there were around 129 officers that were undergoing education in the Netherlands.[68] Others went to Fort Leavenworth, Kansas, and Fort Benning, Georgia, in the United States. After 1954, the Netherlands wound down Indonesian attendance at its military academies, with the last Indonesian cadet leaving in 1957.[69] In the same year, the plans were laid for a command and staff college along the lines of Fort Leavenworth. SSKAD instructors went to the United States, Great Britain, Yugoslavia and the Middle East to study the command and staff colleges there. In 1959, the SSKAD was renamed Seskoad.[70] By the early 1960s, people were also sent to study in the USSR, Yugoslavia, Pakistan and China.

In the initial years, the army relied heavily on the Netherlands Military Mission (NMM) as the main source for technical and tactical training. This included many of the teachers in the SSKAD. The nationalists and ex-PETA members were suspicious about the role of former Dutch and KNIL enemies being used as instructors and teachers.[71] The Round Table Agreement allowed for an Indonesian-financed Dutch military mission to provide military advisors and trainers. Before 1953, the Netherlands Military Mission supplied the largest number of teachers for the college. Of 24 teachers, six Dutchmen

67 Of those 129 officers, 29 went to the Royal Military Academy (Koninklijk Militaire Academie), 60 to the Royal Navy Institute (Koninklijk Instituut der Marine) and 21 to the Officer Reserve School (School Reserve Officieren), the rest went to a variety of schools and courses. Nota Menteri Pertahanan A.L. tanggal 26 Djanuari 1953, ANRI, Jakarta, Kabinet Presiden Republik Indonesia, Inv. Nr. 1855.

68 Since 1951, a stream of Indonesian officers went to the United States and Western Europe including the Netherlands to finish their study. In September 1951, 27 Indonesian cadets went to the KMA in Breda. See Wim Cappers, "Nasi goreng en negerzaad. De opleiding van de Indonesische cadetten aan de Koninklijke Militaire Academie". Collectie legermuseum.nl

69 The ending of the Dutch-Indonesian Union in 1956 was important in the ending of Indo-Dutch military cooperation. Wim Cappers, "Nasi goreng en negerzaad. De opleiding van de Indonesische cadetten aan de Koninklijke Militaire Academie". Collectie legermuseum.nl

70 Ann Gregory, *Recruitment and factional patterns of the Indonesian political elite: Guided Democracy and the New Order*, p. 301.

71 Part of Nasution's 5 Year Plan for the army was to end the military mission. He thought the NMM was an imperialist ploy to weaken the army. A.H. Nasution, *TNI*, (Jakarta: Jajasan Pustaka Militer, 1956), p. 18-39. The feeling was mutual from the KL/KNIL side. The paternalistic attitude of the Dutch instructors did not help either. Hans Meijer, *Den Haag-Djakarta: De Nederlands-Indonesische Betrekkingen, 1950-1962*, (Utrecht: Het Spectrum, 1994), p. 391-393.

were permanent employees and 12 were temporary employees of NMM. There were only three teachers from the Indonesian army and three civilian lecturers. Between 1953 and 1958, there were six class B Courses with 357 officers. Starting from March 1958, a new C-1 Course was inaugurated, which had three classes with 64 attending officers.[72]

By 1953, President Sukarno and the Nationalist-Left Wing coalition, alarmed by the 17 October 1952 affair, pushed for the ending of Dutch influence. After 1953, Indonesian teachers replaced all the NMM teachers. Early in 1951, Chief of Staff Simatupang reiterated the reasons why the NMM might not be the most appropriate for training the Indonesian army; first, the Dutch themselves didn't have a deep knowledge and experience of military matters; second, there were psychological problems plaguing Indonesian-Dutch relations at the time; and lastly, Indonesia's focus on a people's defence was not in line with the more conventional warfare doctrine of the Dutch.[73] The NMM was to help Indonesia build up its land, sea and air power and its members were responsible to the Indonesian government through its Head Mission, which were paid for by the government.[74]

On twentieth April 1953, the Dutch signed an agreement of withdrawal of the NMM. The formal cessation of the NMM by March 1953 was followed immediately by overtures to Australia, Switzerland, West Germany, Sweden and Norway to replace the NMM. This proved unsuccessful, and, Indonesia then approached 'less neutral' countries such as the United Kingdom, the United States and Canada, but was equally frustrated. Initially, the UK was interested in sending a joint small-scale British Commonwealth Military Mission but this was thwarted by the wish to maintain good relations with the Netherlands. Attitudes in Indonesia had also become less positive about foreign intervention in the military. By October 1953, however,

72 "Sedjarah Perkembangan Sekolah Staf dan Komando Angkatan Darat" in *Karja Wira Djati*, Vol. 9, no. 31, July, 1969, p. 9.

73 T.B. Simatupang, De Nederlandse Militaire Missie translated from Indonesian published in the military magazine Perwira, Nr. 5 – 1951 Pag. 182. NA, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950-1957, Inv. Nmr.: 563-573

74 Nota omtrent de ontwikkeling van zaken in Indonesie in zoverre de verhoudingen binnen de Nederlands-Indonesische Unie en de belangen van Nederland daarbij betrokken zijn. Ministerie voor Uniezaken en Overzeesche Rijksdelen. Afd. Wetgeving en Juridische Zaken. No. 1 's-Gravenhage, 23 Mei 1950. De Minister voor Uniezaken en Overzeesche Rijksdelen. J.H. van Maarseveen. Nationaal Archief or NA, The Hague, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950-1957, Inv. Nmr.: 556-566.

the Australian embassy in Washington DC learned that the Americans had in principle agreed about the need for a Western military mission in Indonesia, although it had not resulted in a formal American military mission programme.[75]

By 1956, there were in total 46 teachers, with five civilian lecturers, 17 permanent lecturers and 34 temporary lecturers at SSKAD. The permanent lecturers were either graduates of SSKAD or from foreign institutions such as the *Hogere Krijgsschool* (HKS) in the Netherlands or Fort Benning and Fort Leavenworth in the USA.[76] Much of the curriculum focused on military themes, including military law, military administration, tactical knowledge, artillery, military geography, military history, maintenance of military technology, etc. For the 1956 batch, out of a total of 2210 class hours, 136 were dedicated to general knowledge, in particular political science, sociology, anthropology and economy. Prior to 1956, only political science was taught. In the same year, military management was introduced.[77] After the shift to Seskoad and the introduction of Course C-1 in 1959, the emphasis on socio-political themes rose significantly, up to 50% of the entire curriculum.[78] Course C-1 was 'purely one of Fort Leavenworth', copying the curriculum of the American military staff and command school,[79] with its eight teachers translating the field manuals, advanced sheets and lesson plans.[80]

Beginning in 1961, the importance of the 'defence aspects' in the government resulted in an expansion of Seskoad to include non-military students, from the Ministry of the Interior, Foreign Affairs, Immigration, Attorney General's office, the State Administrative Institute (*Lembaga Administrasi Negara*-LAN) and other institutions.[81] This expansion toward

75 National Archives of Australian or NAA. No. A1838. East Indies-Australian educational and cultural interest in Indonesia, 1946 – 1951. Appendix B. Military Mission to Indonesia.

76 Wilujo Puspojudo, Perkembangan SSKAD in *Buku Peringatan Lustrum ke I SSKAD*, (N.a.: n.a, n.a.), p. 35

77 Wilujo Puspojudo, Perkembangan SSKAD, p. 36-37.

78 Ann Gregory, *Recruitment and Factional Patterns of the Indonesian Political Elite: Guided Democracy and the New Order*, p. 302.

79 *Ibid.* Course C also expanded work of Seskoad from purely educational to research and development.

80 "Perkembangan dan Kegiatan Seskoad sedjak didirikan hingga sekarang" in *Karya Wira Djati*, Vol. 9, no. 31, July, 1969, p. 40-41.

81 "Sedjarah Perkembangan Sekolah Staf dan Komando Angkatan Darat", p. 11. This was within the *Defense Issue Orientation Course*, which had four classes between the years 1961-1964.

greater inclusion of the social sciences broadened cooperation with other learning institutions including the Higher Learning Institute for Police Science, the Political and Social Science Faculties in both Gadjah Mada University in Yogyakarta (since 1960) and the FEUI in Jakarta and Padjadjaran University in Bandung (since 1962). A political science course on state defence was conducted at Padjadjaran University.[82] From 1961, there was another shift in curriculum toward case studies using the experiences of the Mandala and Bhakti operation[83] and the anti-guerrilla policies used in Malaya, in China, and in Yugoslavia's territorial warfare.[84] The civic-action part of the curriculum was thus strengthened.[85] Seskoad would play a central role in defining civil-military relationship and policy.[86] The school thus had an important social function to unify the perspective of army leadership and also to create an 'old boy' network, which fostered a sense of esprit de corps within a military increasingly being politicized through political party influence.[87]

Nasution's second appointment as Army Chief of Staff on 27 October 1955 gave the impetus for a stronger relationship between the SSKAD and other Staff and Command schools in many countries. Although the United States of America became one of the most important foreign centres for army training, with around one quarter of the army officers getting their education in American schools, Nasution was very eager to obtain help to educate

82 "Perkembangan dan Kegiatan Seskoad sedjak didirikan hingga sekarang", p. 53.

83 The Mandala operation was Indonesia's first forward intrusion into enemy territory as part of the military campaign against Dutch forces in West Papua inaugurated in 1961. The Bhakti operation was the locally-based civic action programme conducted by the Siliwangi division under General Ibrahim Adjie.

84 The territorial concept of Lieutenant General Dushan Kveder of Yugoslavia was published in Foreign Affairs magazine in October 1953 and Military Review magazine in July 1954. It was translated by the SSKAD in the end of the 1950s and was published in Bahasa Indonesia in the army magazine *Territorial* in June 1961.

85 "Perkembangan dan Kegiatan Seskoad sedjak didirikan hingga sekarang", p. 46.

86 Between 1959 until 1966, Seskoad had seven important seminars discussing Indonesia's military doctrine and its relation to the state and society. These included the First Seminar on Military Issue (1959-1960), the Second Seminar on Military Issue (January, 1962), the First Army Seminar on the Tri Ubaya Cakti Doctrine (April, 1965) and lastly the Revision Seminar on the Doctrine Tri Ubaya Cakti (August, 1966). There was also a seminar on Civic Mission in July 1967, on Infantry Doctrine in July 1968 and a pre-seminar on the Indonesian intelligence doctrine in February 1969.

87 Charles Donald McFetridge, "Seskoad: Training the Elite" in *Indonesia*, Vol. 36, (Oct., 1978), p. 87-98.

SSKAD graduates into other army training schools. Nasution himself, who had never finished his schooling at the KMA in Bandung tried to enter into the Dutch school of staff and command in 1952 but was distracted by the 17 October affair.[88] His trips abroad in the second half of the 1950s brought possibilities of expanding the educational experience of the army. This included sending a student to the Soviet's Frunze Military Academy, the *Fuhrungsakademie des Bunderswehr* in West Germany, where the important early New Order General Soemitro received his education,[89] and to the British Imperial Defence College, which annually sent a team to Seskoad.[90]

Aside from the Seskoad, there was another school that was highly important in relation to the production of army elite. This was the AHM (*Akademi Hukum Militer* or Military Law Academy), initially founded as a legal course for military personnel held in May 1951 until June 1952. Nasution issued the order to form a Military Law Academy and appointed the PSI-affiliated Ali Budiardjo, who was at the time General Secretary of the Ministry of Defence, as head of the committee for the formation of the Academy.[91] Throughout the 1950s, only two generations graduated. The first batch started in September 1952, but as a result of the 17 September coup-like event and the havoc it wreaked throughout the military, the cadets finished their initially two-year designed courses in four years.[92]

A second batch was initiated on September 1954 but would not finish their courses until 1960. This group had an even more interesting side-job: the second-generation Military Law Academy was to play a pivotal role in the nationalization of Dutch-owned companies.[93] Most students took a whole year in 1957 to deal with the managerial difficulties of the nationalization process. Many, like Major General Soekamto Sajidiman who would play an important role in nationalizing the large trading firm Jacobson van den Berg

88 Abdul Haris Nasution, *Memenuhi Panggilan Tugas. Jilid V: Kenangan Masa Orde Lama*, p. 48.

89 Saleh As'ad Jamhari, Sugiharta Sriwibara and Ramadhan K.H., *Perjalanan Seorang Prajurit Pejuang dan Profesional: memoir Jenderal TNI (Purn.) Soemitro*, (Jakarta: Sinar Cakra Sakti, 1999), p. 11.

90 Abdul Haris Nasution, *Memenuhi panggilan tugas. Jilid V: Kenangan Masa Orde Lama*, p. 59 and 147-160.

91 D. Djiwapradja and E. Soewarna, *Buku Peringatan Tudjuh Tahun Akademi Hukum Militer*, (Jakarta: Akademi Hukum Militer, 1960), p. 27.

92 D. Djiwapradja and E. Soewarna, *Buku Peringatan Tudjuh Tahun Akademi Hukum Militer*, p. 35.

93 *Ibid*.

into the state-owned company Juda Bhakti,[94] and Lt. Colonel Soedjiwo and Lt. Colonel Sukotriwarno,[95] would be continuing their managerial role and ease themselves into longer career in the business sector.[96] The extent to which alumni of the Military Law Academy played a role in the nationalization is sketchy. According to Sajidiman, he and his "classmates from the Military Law Academy were instructed by the government to take over Dutch-owned corporations for the purpose of nationalization."[97] A commemoration booklet for the academy was sponsored by commercials of various state-owned corporations indicating the extensive spread of the cadets into state-owned businesses.[98]AHM graduates like Soedharmono, Ali Said and Ismail Saleh were to play important roles as part of the Sekneg group seeking favour within Suharto's New Order court later on.[99]

Like the Seskoad, the Military Law Academy was reliant on lecturers from Indonesia's major universities. Professor Djokosoetono, the University of Indonesia's legal specialist was appointed as head of the teaching board. FEUI economist Tan Goan-Po and Widjojo Nitisastro taught economics, Soediman Kartohadiprodjo taught introductory law, Satochid Kartanegara criminal law and Hazairin Adat law. P.N. Drost and H.J. Heerens were the only Dutch professors who taught at the academy teaching international law and sociology.[100] Many of the cadets in the academy and in the SSKAD/ Seskoad not only had regular contact with professors and lecturers, especially from the UI, but also continue their education to either the universities or

94 Soekamto Sajidiman, *The Tender Power. An Autobiography*, (Jakarta: Grafikaria Utama Sakti, 1978), p. 44.

95 O.G. Roeder, *Who's Who in Indonesia*, (Jakarta: Gunung Agung, 1971), p. 388-389 and 404.

96 For more on military business, see Bambang Purwanto, "Economic Decolonization and the Rise of the Indonesian Military Business" in J. Thomas Lindblad and Peter Post (eds), *Indonesian Economic Decolonization in Regional and International Perspective*, (Leiden: KITLV Press, 2009), p. 39-58.

97 Soekamto Sajidiman, *The Tender Power.* p. 44. "Aku ditugaskan oleh Pemerintah untuk mengoper perusahaan Belanda bersama rekan-rekanku lainnya dari Akademi Hukum Militer dalam rangka nasionalisasi perusahaan2 Belanda."

98 D. Djiwapradja and E. Soewarna, *Buku peringatan tudjuh tahun Akademi Hukum Militer*. Including Juda Bhakti (former Jacob van den Berg), Indevitra (former Borsumij), Ralin (former Philips), Satya Negara (former Internatio) and so forth,

99 Robinson Pangaribuan, *The Indonesian State Secretariat, 1945-1993*, (Perth: Asia Research Center on Social, Political and Economic Change, 1995), p. 18-19.

100 F.X. Sunatra, "Beberapa soal tentang text-book thinking" in D. Djiwapradja and E. Soewarna, *Buku peringatan tudjuh tahun Akademi Hukum Militer*, p. 88.

took further courses, for instance, the management courses that were to become common in the latter part of the 1950s. They would not only meet in classrooms, but also in boardrooms and government committees throughout the end of the 1950s and the first half of the 1960s.

Take a look at the case of Soehardiman, a protégé of General Yani and the instigator of the military-created trade union Soksi. This army officer started his career in the Ministry of Defence before getting the chance to pursue further study in the associate infantry school at Fort Benning in 1954. Returning to Indonesia, he began teaching military tactics in the SSKAD for three years (1954-1957). At the end of 1957, he was assigned to the army headquarters and as an economic expert under the Minister of Economic Stabilization. He then took on the job as secretary of the nationalization body (Banas or *Badan Nasionalisasi*) and would, in fact, become the president director of the state-owned company Djaja Bhakti. Soehardiman's education was furthered when he enrolled at Parahyangan Catholic University in Bandung, in 1958, and the University of Indonesia in 1962, studying business management. In fact, he would obtain a doctorate degree in economics in 1970. His book entitled *Social Structure Reform as precondition for the Development of National Business*, espoused the need to reconfigure society around the figure of a *homo-administrativus* and the formation of a 'welfare, service and administrative state' based on the guidance of strategic elites: a cooperative elite composed of businessmen, administrator, technocrats and *technologues*.[101] He would later play a role in the take-over of the so-called 'palace millionaires', businessmen related to Sukarno, and the formation of the military company Berdikari.[102]

Soehardiman's case was not unique. A look into a *Who's Who in Indonesia* published in 1971 showed that there were around twelve military managers included in the book, although both Soehardiman and Soekamto Sajidiman were absent, obviously indicating the much larger number of military officers that the book failed to notice. Amongst these 12 were well-known New Order military businessmen, including the Pertamina head Ibnu Sutowo and Suharto's special assistant Soedjono Humardhani. Many of them were

101 Soehardiman, *Kupersembahkan kepada pengadilan sejarah. Otobiografi Soehardiman. Disampaikan kepada Ade Komaruddin Mochamad dkk*, (Jakarta: Yayasan Bina Produktivitas, 1993), p. 237-261.

102 Harold Crouch, "Generals and Business in Indonesia" in *Pacific Affairs*, Vol. 48, No. 4 (Winter, 1975-1976), p. 519-540.

products of Seskoad/AHM and many had attended universities either in Indonesia, with many in the Law School of UI, or management courses like the IMDD management course in Syracuse, USA. Soehardiman's ideas on the military's dual function and the creation of what looked like a managerial state, with a core elite composed of businessmen-experts-military was a result of his rich associations with management specialists and economists.

Guided Democracy and the Army

The civilian political elite and the military elite translated the concept of Guided Democracy in very different ways. Although the idea of efficiency, modernity and the use of technical and managerial know-how were voiced by both these elites, the politicians never saw themselves as the primary executor of the technical details. If they did, it was immediately dashed after the failure of the Eight Year Overall National Plan introduced in 1960 and the deep economic malaise from 1962. The military elite, meanwhile, because of their stronger corporate sense and more 'technocratic' education, expanded into civilian jobs without hesitating about the primacy of technical know-how. General Suwarto, Commander of the Seskoad, summed this up succinctly; "*de wereld van amateurisme is al voorbij*."[103]

The army's *crème de la crème* had no qualms about experts and expertise. Unlike the politicians, many military officers were trained in the technical fields and were open to educating themselves further either in the educational facilities in Indonesia or abroad. Aside from doctrinal training, they were also given technical knowledge. When the army expanded into the administration of government entities and companies, opportunities in civilian educational institutions were opened up. Traditionally, military officers were trained in various technical fields like engineering, medicine and administration, yet by the early 1960s, the employment of economists, sociologists, psychologists and other social scientists was being considered as a standard in civilian engagement. This could be seen, for instance, in the use of sociologists and economists by the RPKAD during the West Irian infiltration campaign.[104]

103 Suwarto, *Himpunan Karangan Djenderal Anumerta Suwarto*, (Bandung: Karya Wira Jati, 1967), p. 16.

104 Kenneth Conboy, *Kopassus. Inside Indonesia's Special Forces*, (Jakarta: Equinox, 2003), p. 71.

Conversely, the Staff and Command School were opening the door to the social sciences and various counterinsurgency ideas.[105]

Rudolf Mrazek contends that there was a bifurcation of the Indonesian military elite starting from the late 1950s onwards, but especially pronounced in the 1960s. This bifurcation was the result of the expansion of aid in military training in various US military colleges and the production of a new military doctrine and a new military elite within the striking units that had a more outward, offensive spirit than Nasution's territorial ideas. During the era of Guided Democracy, the years 1962 and 1963 were a watershed of major importance. As we will see, these were equally important years in the relationship between social science experts (at least economists) and the state, starting with the initially promising but later on disappointing *Deklarasi Ekonomi* (Dekon).[106] This period saw hope of greater expert participation in national policy-making and planning, and a more important but less noticeable institutional development. The rise of General Yani to replace General Nasution as Army Chief of Staff was one of the pivotal points in this change. Being a member in one of the army's strike group, Yani had no qualms in publicly opposing military involvement in the state and the economy. Sukarno's policy of Konfrontasi was greeted with delight as it conformed to this group's offensive spirit. In contrast, the conflict with Malaysia was seen to be destabilizing and dangerous to the position of the military's territorial elites.

In chapter I, elite divergence was explained as a generational difference between the old, colonial-educated intellectuals of the 1928 and the newer, American-educated experts of the 1945 generations. If we follow Mrazek's line of reasoning, the elite divergence of the military was one of educational experience, although Mrazek also alludes to a generational difference. 'Until the mid-sixties, the Indonesian Army had been officered by the first generation of officers who had matured during the forties or before, and who were now reaching an age close to retirement. We know for sure that by the mid-sixties there served in the Army a great number of young officers trained either in the United States or elsewhere abroad, as well as several thousands

105 Guy Pauker, *The Indonesian Doctrine of Territorial Warfare and Territorial Management*, (Santa Monica: Rand Corporation, 1963), p. 28 and 37-41.

106 Bradley Simpson, *Economist with Guns*, p. 92 and Eric J. Chetwynd, "The Indonesian Stabilization Attempt of 1963: A Study in the Economics and Politics in Indonesia." (Masters thesis American University, Washington DC, 1965), p. 38-39.

of new Magelang Military Academy graduates.'[107] A professional, expert type within the military establishment had grown to become a formidable force. More importantly, they would in turn come to position themselves at the pinnacle of the Indonesian elite.

Territorial Management Doctrine

The territorial doctrine would become the basis for the civic action programme and other military activities in civilian areas. As we saw above, Nasution rooted the formulation of the doctrine during the Indonesian revolution, especially after the Second Dutch Military Aggression and the TNI's shift toward a guerilla-based armed struggle. In 1958, Nasution appointed Commodore Siswadi and Colonel Soewarto, the PSI-leaning deputy commandant of Seskoad, to head an ad hoc committee for the development of the armed forces. The development programme was later submitted to and accepted by both the Depernas and the MPRS.

The idea of territorial doctrine lay in the concept of total warfare, one that incorporated the entirety of the nation within a defence strategy. This strategy was assumed to be the only means by which Indonesia could effectively defend its national interests in time of war. Because of the weaknesses of the military, the only way in which Indonesia could give any effective form of resistance would be to use a guerilla-based strategy that utilizes the Indonesian society as part of its heavy warfare.[108] The assumption that there would be another catastrophic world war within their life-time was believed possible by many in the military elite. The basis of total warfare lay in the incorporation of society as a mechanism for defence. Thus war was to be waged as an economic, social, political and even cultural offensive, instead of just a plain military offensive. Mao Tse-tung's conception of the army as fish and the people as water meant that it was important for the fish to have the support and control of the people. Kveder's idea of territorial warfare was also heavy on this assumption of mass control.[109]

107 Rudolf Mrazek, *The United States and the Indonesian Military. 1945-1965*, p. 142.

108 Guy Pauker, *The Indonesian Doctrine of Territorial Warfare and Territorial Management*, p. 11-17.

109 Guy Pauker, *The Indonesian Doctrine of Territorial Warfare and Territorial Management*, p. 34-37.

It is not hard to see that total warfare would mean an even greater control of society by the military. As an article in the magazine *Territorial* stated "we (the army) shall manage and we shall control so that they (the people) could be invited, moved and deployed with their positive power in the general goal of state defence, security and development."[110] This was initially achieved through the expansion of military duties into civilian areas, including the positioning of military men within formerly civilian positions and the formation of new institutions that placed control of the army over wider arrays of administrative and judicial matters, including Nasution's anti-corruption and civil service controlling body of Paran. On a wider level, as we will see, the usage of Civic Action programmes was used by the military for wider, rural control. This was important for limiting the influence of the Communists in the rural areas. The expansion of military-civilian bodies was also part of the application of this doctrine.

Civic Action was part of a wider army idea of territorial management. As we saw above, the expansion of military men into nationalized business and the application of Civic Action programmes happened before the formal announcement of the doctrine. It did legitimize, however, the position of army officers as managers, of companies, of rural areas, of whole provinces. The army transformed itself into a managerial elite and in the process they comingled with the nascent civilian managers. Because of the expansion of military jobs into the civilian field, organizations like Seskoad followed suit and expanded their education, as the shift toward the Course C-1 had shown. Thus, the impetus was created that linked young army officers and young American-trained experts in social science to meet and share ideas. This idea of a military-cum-civilian managerial elite was an important component of the Guided Democracy state, for it contradicted Sukarno's objectives. The idea of managerial control runs counter to the Guided Democracy's focus on societal incorporation within the leadership of the intellectual-politician. Instead, education fostered the creation of a military-civilian expert, a leadership that saw control as more important than incorporation.

The legitimation of military men as managers was created not only through constant meetings with economists and other social science and technical experts in schools like Seskoad, but also in specialized publications.

110 "Suatu Konsepsi Pembinaan Wilajah Sehubungan dengan Perang Wilajah dalam rangka Pertahanan Nasional" in *Territorial*, year 1, no. 2, January 1962, p. 3.

Magazines like *Manager* and *Fortuna*, both targeting an audience of nascent professional managers, was very accommodating to the voices of military managers. A.H. Nasution and Ibrahim Adjie, for instance, wrote various pieces for these magazines.[111] The magazines themselves discussed civic action and other military managerial programmes without a hint of suspicion. Army-issued magazines like *Karya Wira Djati* and *Territorial* on the other hand allowed space for expert civilian managers to discuss management issues, including military management ones.

Territorial control, like its civilian managerial counterpart, thus required mass control. "We must control mass opinion in our effort to develop our national morals."[112] Terms like *Psy-war* were bandied about in military articles on Indonesia. The counter-insurgency tactics used methods by which the hostility of the population in enemy territory could be effectively countered or reduced. The military managers needed to implement several basic elements within their territory: the management of the ideology and psychology of the community, the management of the social, economic, political and logistical issues of the community, the management of the human mindset as subject for people's resistance and the management of the government in times of war or danger, and the implementation of a special rural development programme.[113]

Territorial management was an important subject for army leaders like Nasution, but this conflicted with Sukarno's effort to use the military for his foreign policy. In this regard, the shift in power from Nasution to Ahmad Yani and the shift of doctrine from Territorial to Tri Ubaya Cakti must be understood. Under attack from Sukarnoists and from the communists, both civilian experts and military managers sold the territorial doctrine as one that could support Guided Democracy's developmental plans.

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111 For instance, A.H. Nasution, "Kata Sambutan" in *Manager*, year IV, no. 36, April 1963, p. 4-9 and Ibrahim Adjie, "TNI dan Civic Mission" in *Manager*, year IV, no. 36, April 1963, p. 10-15.

112 "Suatu Konsepsi Pembinaan Wilajah Sehubungan dengan Perang Wilajah dalam rangka Pertahanan Nasional" in *Territorial*, year 1, no. 2, January 1962, p. 8, "…kita harus mengendalikan opini masa untuk ditudjukan kearah pembentukan moril nasional jang tinggi dengan semangat melawan jang berkobar-kobar."

113 "Suatu Konsepsi Pembinaan Wilajah Sehubungan dengan Perang Wilajah dalam rangka Pertahanan Nasional" in *Territorial*, year 1, no. 2, January 1962, p. 4-27.

American Influence and its Counter-Balance

The new generation that obtained foreign military education learned both the territorial doctrine and the technical capabilities that would result in a further bifurcation of military elites. Before 1958, some 250 Indonesian officers had been trained in the United States. Another 500 officers were trained between 1958 and 1962. The spike between the years 1962 and 1964 was significant with more than 3000 military officers going to the United States for further training. The total number of officers with American exposure was thus around 4000 persons, a very significant number of elites within the armed force.[114]

The vast majority of Indonesian military officers received their education at Fort Leavenworth, a staff and command school, which focused on developing military ideas and doctrines. Theories about counterinsurgency and the territorial doctrines were discussed and taught. Various social scientists, including those that had advocated the ideology of development had also taught at the school. The curriculum at Fort Leavenworth was replicated by the C-1 Course focus on a broad-based education, with emphasis on intellectual discussion, especially with American-trained social scientists, was, on the whole, similar to the Fort Leavenworth experience. American help occurred in the form of the Civic Action Programme, with its strong focus on territorial control and economic development.

By comparison, the military's strike groups-like the Army General Reserve (Tjaduad, later Kostrad), Army Special Command (RPKAD, later Kopassus), the Police Mobile Brigade (Brimob), the Marines (KKO), the Flying Corps and the Special Air Force Group Airborne (Linud)-had a different educational experience in both the United States and East European countries. In the US, they learned technical skills in the latest counter-insurgent methods applied in the concurrent Vietnam War. The Indonesian military elite aimed to make the country's strike units comparable to American ones, borrowing the American pentomic doctrine as a blueprint for Indonesia's own strike force.[115] On the senate committee, it was said that 'experts consider the Indonesian army as one of the most skilful in the world

114 Peter Dale Scott, "Exporting military-economic development", p. 236, Ruth McVey, "The Post-Revolutionary Transformation of the Indonesian Army: part II" in *Indonesia*, no. 13, April, 1972, p. 169.

115 Kostrad by 1965 was headed by then Brigadier-General Soeharto.

at small unit operations in swamps and jungles.'[116] American assistance also came in the form of providing Indonesian strike units with some of the latest US military gadgets. This strike force elite grew to differentiate itself from the territorial elite, because it considered them slothful, corrupt, and wealthy because of their civilian assignments. At the same time, the territorial officers were jealous of the para-command units and their better equipment and greater prestige.[117]

It would be too hasty to conclude that the difference between these elites was in any way profound. Differences between the army, navy, air force and police had bigger consequences in the later New Order period. Ernst Utrecht interprets the relationship differently. He divides the elite as "Field Officers" and "Managers" and accordingly, their relationship was one of mutual symbolism instead of the antagonistic competition as implied by Mrazek. The managers provided the para-commanders with money to operate their units and also to indulge in the lifestyle of the elites.[118] The expansion of 'experts' developed along two general lines: a pinnacle position of professional scientists whose duty was to design the national policies and plans, and a middle position of managers whose duty was to run the government offices and state-owned factories.

The relationship between the Indonesian army, American-educated intellectuals and American counterparts has been a leitmotif of leftist Cold War literature on the CIA, perhaps most succinctly expressed in David Ransom's paper which coined the term 'Berkeley Mafia', the name given to the economic technocracy that engineered much of New Order economic policies.[119] Such analysis tends to overlook the weaknesses of the pro-American factions, especially American-educated economists and social scientists and, by 1964, the despair of the State Department's Indonesian planners, as Sukarno lurched toward intensifying the friendship with Maoist China.

One of the most important individuals in this relationship was Guy Pauker. He collaborated in writing a report funded by the Council on Foreign Relations published in 1959 under the authorship of Professor Fifield that saw the Indonesian army as 'among the most capable leaders of Indonesia,' whose

116 Rudolf Mrazek, *The United States and the Indonesian military,* p. 83-84.

117 Rudolf Mrazek, *The United States and the Indonesian Military,* p. 46.

118 Ernst Utrecht, "The Indonesian Army as an Instrument of Repression", p. 61.

119 David Ransom, "The Berkeley Mafia and the Indonesian Massacre".

rare qualities cannot be overlooked.[120] Pauker had first visited Indonesia in 1954 as researcher within the Ford Foundation-MIT Modern Indonesia project. In 1958, he became RAND consultant paid for by the CIA. In 1959, he took up residence as chairman of Berkeley University's Department for South and Southeast Asian Studies. He entertained good relations not only with Sumitro Djojohadikusumo, but also with Widjojo Nitisastro and Mohammad Sadli in his Berkeley capacity. He also grew close to Nasution and the commander of Seskoad, Colonel Soewarto.[121]

Peter Dale Scott reasons that Pauker was central to the introduction of the military dual function and that he had persuaded Nasution to convince Sukarno to let the army participate in the government and economy. No doubt the ideas of military-development were, in part, inspired by American thinking, yet thoughts about the *Dwi-Fungsi* had been already part of Sukarno's corporatist idea which was espoused much earlier. On 30 August 1956, an ad hoc committee was created, headed by Col. Azis Saleh in order to study the ways in which the TNI could participate in the development of the state, in order to further the workability of the idea of military dual function.[122] In 1958 Nasution set up a Committee on Army Doctrine, headed by Lieutenant-Colonel Suwarto and Colonel Mokoginta, which would result in the formation of the initial army doctrine of Territorial Warfare.[123]

The United States played a keyrole in the rise of Civic Action, especially in its 1960s form. In 1962, Pauker invited Soewarto to the RAND institute in order to inspect the way RAND organized the "academic resources of the country as consultants." At the same time, the Ford Foundation provided a $2.5 million grant for training courses. David Ransom pointed out that Ford Foundation used their contacts in the FEUI to influence officers within the Seskoad. By 1962, University of Indonesia economists were regularly visiting the Seskoad where they taught the 'economic aspects of defence' and where they would discuss the national situation, sometimes way into the night.[124] According to Pauker, after Suwarto's visit to the RAND institute, he

120 Peter Dale Scott, "Exporting military-economic development", p. 219.

121 Peter Dale Scott, "The United States and the overthrow of Sukarno. 1965-1967" in *Pacific Affairs*, Vol. 58, No. 2 (Summer, 1985), p. 247-248.

122 Duta Masyarakat, 30 August 1956.

123 Ulf Sundhaussen, *Road to Power*, p. 138.

124 David Ransom, "Ford Country: Building an Elite for Indonesia" in Steve Weissman (ed.), *The Trojan Horse. A Radical Look at Foreign Aid*, (Palo Alto: Ramparts Press, 1975), p. 101-104.

appointed four or five economists as the army's high-level civilian advisers. According to Robert Shaplen; 'The task of Suwarto and his staff… was to convince as many as possible of the Army's 150 general officers and 400 colonels that it was their responsibility to maintain the delicate balance between the representative democratic principle, which makes parties and policemen a 'necessary evil' in any polity, and the corporative principle which gives the Army the means to participate in the government without creating a military dictatorship.'[125]

No doubt the army had close affinity with the United States, but similar to the wider Indonesian elites, there was a degree of suspicion toward it. Nasution was always looking for potentially useful doctrines and curriculums of other nations. Although the Course C-1 used translated Ft. Leavenworth material, translation of Chinese and Yugoslavian material was used around the same time. The territorial doctrine was very much inspired by Mao Tse-tung's interview with Edgar Snow in *Red Star Over China* and the army's experiences in the revolutionary war.[126] According to Suwarto, the article "Territorial War: the new concept of resistance", written by Yugoslavian general Dushan Kveder, was very influential, with an Indonesian translation available at the Seskoad since 1958, while the officers were also required to read Vladimir Dedijer's "Tito speaks" and other translated Yugoslavian texts.[127] It was planned that by 1965, the army would use Indonesian doctrines for 60% of its curriculum and in 1964, it was stipulated that all departments that focused on doctrinal research and development would be assigned an officer graduating from the Soviet Frunze academy as a counter-balance.[128]

Military Strike Force and the Shift in Military Doctrine (1962-1965)

During the Revolutionary War, the TNI had been involved in both guerilla and counterinsurgency tactics. This two-front approach was rare amongst other independent revolutions of the twentieth century. Guerilla warfare, with its unique command and control structure is inherently decentralized,

125 Robert Shaplen, *Time out of hand. Revolution and Reaction in Southeast Asia*, (New York: Harper & Row, 1969), p. 146.

126 Guy Pauker, *The Indonesian Doctrine of Territorial Warfare and Territorial Management*, p. 8-9.

127 Guy Pauker, *The Indonesian Doctrine of Territorial Warfare and Territorial Management*, p. 34-37.

128 "Perkembangan dan Kegiatan Seskoad sedjak didirikan hingga sekarang" in *Karya Wira Djati*, p. 52-53.

lessening the control of the centre, while counterinsurgency tends to increase the degree of control of the local military leaders at the expense of both local political leaders and the centre. The tendency on both accounts was to weaken the central command structure of the army and enhance control by regional and local army commanders.[129]

David Kilcullen has argued that the expanding political influence of the TNI during the period of 1945-1965 was the result of a continuous but uneven development and deployment of TNI's insurgency/counterinsurgency measures.'…(W)here COIN and insurgency are conducted at the same time or close to each other, political power will flow from central to regional and from civilian to military leaders.'[130] But the control of local territories had its roots as far back as the Japanese occupation.

Although the strike forces had existed much earlier, the early 1960s was a watershed in the Guided Democracy. The development of a military-wide strike force, the *Tjaduad* (*tjadangan umum AD* or army general reserve) in 1963,[131] which functioned as an umbrella force composed of selected battalions of various strike groups. This was a culmination of the shift in military emphasis from territorial commands to strike groups.

Moekmin Hidajat, writing after the fall of the Guided Democracy said 'without declaring the reasons, the (active and free foreign) policy is silently left behind. It is then replaced with the politics of confrontation and political axes. Not satisfied, they wanted the defence policy to follow suit with the confrontation policy. Without understanding the requirements, they forced a change to the defence policy so that it would be more 'offensive-revolutionary', a term that is often times run more on the fighting spirit (*semangat*) than on facts. These opportunists were everywhere, even within the armed forces. This group is always searching for personal aggrandizement by proclaiming themselves to be the most revolutionary and discrediting the Territorial Doctrine as a worn concept, not revolutionary and that it should be replaced with something new.'[132]

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129 David Kilcullen, *The political consequences of Military Operations in Indonesia*, p. 6.

130 David Kilcullen, *The political consequences of Military Operations in Indonesia*, p. 27.

131 This was the embrio for the Kostrad, an important influential para-military unit during the New Order.

132 Hidajat Moekmin, "PKI versus Perang Wilajah. Penilaian Kembali suatu Doktrin" in *Karya Wira Djati*, Vol. 6, no. 21, 196, p. 13. "Tana menjebukan setjara djelas sebab2nja maka politik ini kemudian ditingalkan. Itupun setjara diam2 sadja. Selandjutnja diganti

The period after 1960 also saw developments of a specific military doctrine within the Seskoad that would result in the creation of the *Tri Ubaya Cakti* doctrine expounded in 1965. In April 1963, the Kostrad Seminar on Indonesian foreign policy was held at the Seskoad. This was followed by a seminar on internal and external affairs (1963-1964).[133]

In addition, the failure of the Depernas to create a workable national planning programme and the economic decline from 1962 curiously resulted in the abandonment of the earlier developmental programne. In early 1963, Sukarno seemed highly conciliatory with the United States and supportive of the economic reform programmes that were initiated by Soebandrio working within a professional economic committee with the assistance of World Bank and IMF economists. The implementation of the programme was politically untenable and Sukarno had by then started his foray into the country's next 'international adventure'. Any pretense of concern about the viability of the Indonesian economy was put aside as the Malaysian confrontation got underway in September 1963.

Strike Force Units

The most important strike force of the army was the RPKAD or the army rapid force, created not by the central army command, but by the Siliwangi Division under Colonel Alex Kawilarang. On 16 April 1952, Kawilarang formally authorized the Kesko (*Kesatuan Komando* or Commando Unit) command. In early January the Kesko unit was transferred by central command to be positioned under the Army Chief of Staff. On 18 March, it was rechristened as KKAD (*Korps Komando Angkatan Darat* or Army Command Corps). On 25 July 1955, the KKAD was upgraded to RPKAD

dengan Politik Konfrontasi dan Politik Poros. Tidak terbatas hanja sampai sekian mereka menghendaki agar djuga Politik Hankam disesuaikan dengan Politik Konfrontasi itu. Tanpa melihat persjaratan jang ada mereka menusahakan afar politik Hankam kita dibuat lebih "offensive-revolutioner, kata2 jang sudah terlalu sering hanja diisi dengan semangat daripada kenjataan. Golongan opportunis dengan "pamrihisme" meman ada dimana2, djuga dalam tubuh AD sendiri. Golongan inilah jan selalu berusaha mentjari "grandeur" pribadi dengan menepuk dada bahwa mereka jang paling revolusioner dan mentjap Konsep Perang Wilajah sebagai konsep jang using, jang tidak revolusioner dan harus diganti dengan Doktrin jang sama sekali baru."

133 "Sedjarah Perkembangan Sekolah Staf dan Komando Angkatan Darat" in *Karya Wira Djati*, Vol. 9, no. 31, July 1969, p. 13.

(*Resimen Pasukan Komando Angkatan Darat* or Army Commando Force Regiments). After the success of ending the PRRI/Permesta rebellion in February 1958, educational aid for the army was offered by both the US and England, in an effort to mend the relationship.[134]

In 1960, a parachute instructor was sent for six months rigger training and Captain Benny Moerdani graduated from a 12-week special warfare officer's course at Fort Bragg. The American model special forces were very different from what had been in existence in Indonesia. They were "self-sustained units that performed unconventional tasks for long periods far behind enemy lines." They were intended to win the hearts and minds of the people and included an interpreter and a medic to help the villagers. The training included four combat engineers to assist in demolition duties, two doctors, two social scientists and an economist. This unit was called the DPC (*Detasemen Pasukan Chusus* or Special Forces Detachement).[135]

The shift in assistance and funds towards the mobile forces represented a shift in the elite division from the territorial forces. Mrazek contends, "thus the development after 1958 and during the early sixties left its deep imprints in the structure and ideology of the Indonesian armed forces. While before 1958 the mobile striking units represented only very small islands in the vast sea of the territorial army, during the early sixties they acquired in many aspects a decisive position in the Indonesian military establishment."[136] An important development that mirrored other areas of the military elite was the use of social scientists as a viable part of military mission. According to Kenneth Conboy, when the DPC's infiltration unit arrived on the West Papuan coast, a sociologist member of the team was expected to make contact, befriend and study the local population and villages.[137]

With the change from the pro-Territorial General Nasution to the pro-Mobile Force General Ahmad Yani as Sukarno's Chief of Staff, the ideological shift toward an offensive military policy became more pronounced. Yani had received military training in Tokyo during the Japanese occupation. He was also among the first Indonesian officers to attend the Command and General Staff School at Fort Leavenworth in 1955. Before returning to Indonesia,

134 Kenneth Conboy, *Kopassus. Inside Indonesia's special forces*, (Jakarta: Equinox, 2003), p. 13-27.

135 Kenneth Conboy, *Koppasus. Inside Indonesia's Special Forces*, p. 86-87.

136 Rudolf Mrazek, *The United States and the Indonesian Military, 1945-1965*, p. 45.

137 Kenneth Conboy, *Koppasus. Inside Indonesia's Special Forces*, p. 86-87.

he took a two-month course on special warfare in England.[138] Nasution appointed him as chief of operations and then as deputy of intelligence. Under him, American-trained officers were given the most influential positions within the staff and command. It was, of course an ironic situation, that at the time when Nasution lost his office, the Americans were fully backing his territorial doctrine because they believed that a military focus on population capture was much more in line with the idea of stamping out Communist influence.[139] The aggressive doctrine espoused by the mobile force elite was a cause for concern, since it destabilized the domestic situation, something in which the Communists could find weaknesses to take advantage of.[140]

The rise of Ahmad Yani and his outward, aggressive stance was in line with Sukarno and his increasingly agitated policy toward the Dutch presence in West Papua. With massive Soviet help, the military, especially the navy and air force, was equipped with an impressive hardware, the likes of which were non-existent in any other Southeast Asian country. By 1962, the Soviet Union had provided hundreds of tanks, armoured personnel carriers, artillery pieces and guided missiles, 170 jets and fighter bombers and many ships. Indonesia felt far more prepared to shift toward an offensive strategy against the Dutch, in comparison to the guerrilla warfare that was Indonesia's only default strategy during the Revolutionary War.

Tri Ubaya Cakti

The declaration of the *Tri Ubaya Cakti* (Three Sacred Pledges) doctrine was made during a military seminar held at the President's request on 2 - 9 April 1965 at the Seskoad in Bandung. A total of 51 higher officer, 89 mid-level officer and 32 civilian and military experts converged to discuss the military doctrine.[141] The seminar was to discuss the three doctrines/issues: the military *karya*, the Indonesian revolutionary war and the development of the potential for the Indonesian revolution. These discussions envisioned a new government programme that would use the military in a creative-destructive

138 Soehardiman, *Kupersembahkan kepada pengadilan sejarah. Otobiografi Soehardiman*, p. 210.

139 Rudolf Mrazek, *The United States and the Indonesian military*, p. 54-59 and 75-81.

140 Rudolf Mrazek, *The United States and the Indonesian military*, p. 42.

141 Hikajat Moekmin, "PKI versus perang wilajah. Penilaian kembali suatu Doktrin" in Karya Wira Djati, Vol. 11, no. .21, 1966, p. 7.

(*penjebolan-penciptaan*) nation-building programme. The military was to harness a total participation by the people within a specifically offensive and defensive programme. Socially, culturally and economically, the entire society was to participate in the protection of the nation-state.

This active call for the state to destroy elements within and outside society was telling for subsequent state-society relations. Sukarno asked: 'What is the goal of our revolution, and what is the work that we want the revolution to accomplish? To destroy. Our revolution is to destroy and to plant. Now, if we think deeply, what is it that we must destroy? What we have to destroy and destroy right now is imperialism, colonialism, neocolonialism, capitalism, all of which has been written in the preamble to our constitution.'[142] Such theoretical enemies were fleshed out as had been discussed in a previous Seskoad seminar. Discussion on territorial management as early as 1962 pointed out the enemies of the state.[143] Ideologically, these were individualism and liberalism, international communism, religious fanaticism, atheism, isolationism, autarchy and chauvinism. Politically, they were imperialism and colonialism, federalism and separatism, dictators, tribalism and regionalism. Socio-economically, they were capitalism, feudalism, cosmopolitanism, negative foreign culture, reformism, conservatism, cynicism and apathy.[144]

The state, through its military coercion, was to root out the infiltration of foreign ideas in the minds of its populace. In order to achieve this, indoctrination programmes were devised to reach various sections of the people. Thus, the 'educated section' of the population was to be indoctrinated in an objective-business-like (*zakelijk-objektief*) manner through rational persuasions. The general public was to be seduced by material incentives through provisioning primary needs. The orthodox groups were to be given

142 "Apa tudjuan revolusi kita, dan jang kita kerdajakan dengan revolusi kita itu apa? Menggempur. Revolusi kita itu mendjebol kataku, dan menanam. Nah, kalo kita fikir benar2, revolusi adalah mendjebol; apa jang harus kita djebol, dan apa jang sedang kita djebol. Jang harus kita djebol dan jang sekarang kita djebol jaitu imperialisme dan kolonialisme, neokolonialisme dan kapitalisme, sebagaimana jang tertulis dalam kalimat jang pertama daripada preambul." In *Doktrin Perdjuangan TNI "Tri Ubaya Cakti". Buku Induk*, (LP IKIP, Malang, 1965), p. 20.

143 Whose focus was to discuss and create regional operational, logistical and management patterns, but which eventually discussed a much wider and intrusive population control at the individual level. The rise of the New Order Man must be attributed to the ideas discussed within these seminars.

144 "Seminar Seskoad Kedua, 3-8 Januari 1962" in *Karja Wira Djati*, Vol. 2, No. 8, 1962, p. 70-71.

informative seminars that would broaden their horizons and the separatists would be corrected through political incentives. The major enemies of the state was thus defined as its own population: the educated person and his 'liberal and capitalist' tendency, the general public and its 'communistic ideas', the orthodox group and its Islamic fanaticism and the separatists and their wayward ideas of nationhood.[145] This total doctrine formulated during the early Guided Democracy focused much of the energy on internal possibilities. It saw the possibility of only one type of individual: the nationalist, whose definition seems to be much more related to what it was *not* rather than what it was.

Many of the ideas espoused in the doctrine were developed in the annual seminars held by the Seskoad. The idea of Total People's Defence[146] had been discussed in earlier seminars at the Seskoad and this envisioned a three-pronged approach toward defence: a conventional force consisting of the military, a non-conventional force consisting of a Civil Defence (*Pertahanan Sipil* or Hansip), and a People's Resistance Force (*Perlawanan Rakjat*). The Civil Defence would be organizationally under the head of the state to ensure unity of command.[147] The roots of this strategy were derived from the total warfare doctrine that the Japanese had introduced to Indonesian youth by the formation of military units (*daidans*) through community organizations (*tonarigumi*).[148]

Yet, the *Revolusi* component of the doctrine represented a change from earlier ideas. It was a change from internal to external enemies. This shift was possible on condition that Sukarno's control of the army was total and this was only possible after Nasution had been neutralized and Ahmad Yani put in his place. Sukarno's speech during the seminar provided a glimpse into the difference. Sukarno said "… during our time, our Revolution was side-tracked. Our army also followed with a side-tracked defence policy. It side-tracked from the revolution. Our defence policy was force-fed by the Neo-colonialist powers. Several of our officers who have obtained foreign education... were taught on defence strategies, large and small tactics all of which aimed to convince us that 'the possible enemy will come from the

145 "Seminar Seskoad Kedua, 3-8 Januari 1962" in *Karja Wira Djati*, Vol. 2, No. 8, 1962, p. 70-71.

146 Pertahanan Rakjat Semesta

147 "Pertahanan Rakjat" in *Karja Wira Djati*, Year III, Vol. 1, July 1963.

148 *20 Tahun Indonesia Merdeka*, (Departemen Penerangan Republik Indonesia: Jakarta,), p. 22.

North.' We have been 'forced fed' those words. Thus, it was taught to us that if we want to defend the country, we have to face the north, not the south, west or east."[149] The North here was, of course, communist Russia or China. But Sukarno insisted that the enemy was the West, the Neo-colonialist powers headed by the United States of America.

This 'Rediscovery of the Revolution' was a realignment of Indonesian international interests, with Indonesia's confirmation of its position within the non-aligned Third Power Bloc, the Newly Emerging Forces. The military played an important part. Sukarno continued: 'So the military, that word is closely inherent, very much inherent with the idea of the enemy. What is the purpose of war? It isn't purely for self-defence. The purpose of war is to destroy the enemy; no one conducts war without having this purpose to destroy, to defeat the enemy.'[150] The doctrine was in line with Sukarno's increasingly erratic view of the world (the Nefo and Oldefo classification) and Indonesia as a beacon of revolution.

This doctrine was significantly revamped after the fall of Sukarno in 1965. In the Second Army Seminar held on 25 - 31 August 1966, the belligerent tone had disappeared. Instead of a revolutionary army, the army was depicted as a modern one; an organization with expert men and their expertise. Thus, the values of military leadership were still extolled, with its leadership ideals based on almost feudal characteristics side-by-side with modern managerial

149 "Pada waktu kita, revolusi kita menjeleweng, Angkatan Bersendjata kitapun ikut2 didalam ia punja defence policy menjeleweng, njeleweng daripada revolusi itu. Defence policynja pada waktu itu, kita "ditjekokkin", djustru oleh fihak Nekolim. Beberapa hal jang salah misalnja saja kenal beberapa Opsir, Perwira, dapat didikan dari Luar Negeri, eh, Parman djuga manggut2, didikan dari luar negeri, disitu diadjarkan, hal2 jang mengenai defence strategy, taktik besar, taktik ketjil, pada dasarnja jalah, diadjarkan kepada kita itu "the possible enemy will come from the North". Kita 'ditjekokkin' begitu "the possible enemy will come from the North. Malahan segala susunan defence policy itu didasarkan atas itu. "The enemy is the North, the possible attack of the enemy will come from the North". Djadi, diadjarkan kepada kita, kalau kau mau defence, menghadaplah keutara, djangan ngadap kidul, ngadap ngulon, ngadap ngetan, menghadaplah keutara." In *Doktrin Perdjuangan TNI "Tri Ubaya Cakti". Buku Induk*, (Malang: LP IKIP, 1965), p. 21.

150 "Djadi Angkatan Bersendjata, perkataan itu adalah closely inhaerent, inhaerent serapat2nja dengan musuh. Malahan "doel" dari perang jaitu apa? Bukan sadja mempertahankan diri sendiri. "Doel" daripada perangnja itu, mengalahkan musuh; tidak ada orang mengadakan perang, kalau tidak dengan maksud untuk menghantjurkan, mengalahkan musuh." In *Doktrin Perdjuangan TNI "Tri Ubaya Cakti". Buku Induk*, p. 20.

leadership ideals.[151] Most important was how un-revolutionary the character of the new regime was. 'The New Order wants a more realistic and pragmatic order, although it does not leave behind the idealism of struggle.'[152]

Mass Control and Job Expansion

The discussion of the definition of state-enemy in the Seskoad above has already identified the elements that the military wished to control: communists, separatists, federalists, atheists, religious extremists, imperialists, isolationists, liberals and even cynics. What this meant was that the enemy existed both outside and within the Indonesian society itself. In accordance with the rule book of the Cold War, the government was fighting against ideas and ideologies as well as armed militias and other radicals. The fight was to have a variety of psychological, ideological and military dimensions. There were two major approaches that the military took in regard to State enemies. The first one was deployment of conventional strike forces against separatists, imperialists and, later on, communists and leftists through the use of military violence. The second was the so-called Military *Karya* programme.

Nasution initially introduced the Karya programme in order to allow the military access to positions and influence in the various sectors of civilian life that had been off limits before the programme's formal inauguration at the end of the 1950s. Another significant reason behind the programme was mass population control, especially against communist influence in the rural areas. The PKI, with good reasons, wanted the army to abandon the territorial doctrine, which the *karya* programme was partially based upon. Communist support for the *Tri Ubaya Cakti* doctrine and its legitimating of foreign adventures provided relief to the harassment that was inflicted by the army during the late Guided Democratic period.[153] *Karya* were functional

151 Thus, the *panutan* characters discussed earlier and within the Javanese proverbs: Ing Ngarsa Sung Tuladha, Hing Madya Mangun Karsa and Tut Wuri Handayani, extolling the virtues of leadership within the common people, but also more modern ideals of efficiency, transparency, humbleness and planning capabilities. See *Doktrin Perdjuangan TNI-AD. "Tri Ubaya Cakti". Buku Induk*, p. 38.

152 "Orde Baru menginginisuatu tata-fikir jang lebih realistis dan pragmatis, walaupun tidak meninggalkan idealisme perdjuangan." *Doktrin Perdjuangan TNI-AD. "Tri Ubaya Cakti". Buku Induk* (Jakarta: Skodik Wala dan Pawamil ABRI, 1968), p. 9.

153 Aidit in his many speeches to military personnel in the various officer schools repeatedly stressed the need to abandon the territorial doctrine. Hidajat Moekmin, "PKI versus

groups based on a professional definition of community participation in the nation. They included, among others, farmers, intellectuals, artists, journalists and so forth. These groups were to have representational seats in important Guided Democracy bodies such as Parliament, Depernas, the National Council, etc.

By the early 1960s, several ideologies had been effectively banned in national politics. Liberalism, with its perceived supporters epitomized by the PSI, was banned. Nasution had by the late 1950s begun in earnest to control civil society through the formation of various BKS.[154] The BKS mirrored party-based *onderbouw* organizations, the largest of which were usually communist organizations. The move to integrate civil society organization was first begun with the veterans through the formation of the LVRI[155], as a new veteran's organization that would replace all other veteran organizations, some of the largest of which were the Perbepsi associated with the PKI and the Bekas Pedjuang Islam Bersendjata associated with Masjumi. The extensive opposition to this military move made them change tactics with the BKS.

The first BKS was the BKSPM,[156] an organization that employed *preman* youths with a thuggish reputation. As Loren Ryter has shown, the BKSPM was the nucleus for the later powerful Pemuda Pancasila group of the New Order and played an important part in the early years of the regime, including during the 1965-66 Communist massacres.[157] Relations between BKSPM and the military were similar to the relation between *pamongpradja* and the *jago* elements of the colonial period.[158]

Job expansion for army personnel occurred at a variety of levels. At the highest levels were those military officers who were asked to sit in Parliament or to head various ministries, departments, provinces and other high-level administrative posts. For instance, the expansion of the military territorial

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PerangWilajah. Penilaiankembalisuatudoktrin" in *Karya Wira Djati*, Vol. 6, no. 21, 1966, p. 18-23.

154 *Badan Kerdjasama Militer* or Military Cooperation Bodies

155 *Legiun Veteran Republik Indonesia* or Veteran's Legion of the Republic of Indonesia

156 *Badan Kerdjasama Pemuda Militer* or the Cooperation Body between Youth and Military

157 Loren Ryter, *Youth, Gangs and the State in Indonesia*, p. 36 and 82. Many of those in the gangs of the New Order were sons of bureaucrats and army officers, indicating the tight connections that the elites had to various sectors of Indonesian society.

158 Yong Mun Cheong, "The Indonesian Army and Functional Groups, 1957-1959" in *Journal of Southeast Asian Studies*, Vol. 7, Issue 1, March, 1976, p. 92-101.

district[159] during Guided Democracy was significant: from 7 to 16 districts.[160] The root of this job expansion was the willingness of the army under Nasution in 1958 to avert a military dictatorship and in turn implement a Middle Way. This concept as planned between Sukarno, the cabinet, and the Armed Forces leaders would give wide opportunities to military officers on an individual basis but as exponents of the military, "to participate in non-military fields and in determining national policies of the highest levels including such fields as state finance, economy, and so on."[161]

The take-over of formerly Dutch-owned businesses resulted in a sudden expansion of managerial posts for which Indonesia had a hard time to find replacement. Nationalization was only achieved after Parliament passed a law authorizing a change of legal ownership of the Dutch companies.[162] By June 1960, 489 Dutch-owned companies had been nationalized. The majority of them were in manufacturing and mining (161 companies), estate agriculture (216 companies) and trading (40 companies). They ranged from relatively small bakeries to large multinationals such as the Big Five.[163] In 1960, there were still around 100 Dutch-owned companies, which had not yet been nationalized.[164]

The famous Parliamentary Decree no. II/MPRS/1960 is an important document for it legalized army participation and proposed a fundamentally different economic framework for the country. On A/III/402/5, it stated that 'the Indonesian Armed Forces and the State Police shall participate in the process of production without diminishing their main respective tasks.' On A/III/69/415, it stated that 'the role and activities of the Armed Forces in the field of production brings them closer to the People more intensively in the process of State Development especially in matters of industrialization and the carrying out of land reform.'[165]

159 *Komando District Militer* or Kodam

160 Ulf Sundhaussen, *The Road to Power*, p. 125.

161 Ulf Sundhaussen, *The Road to Power*, p. 126.

162 Thomas Lindblad, *Bridges to new business. The economic decolonization of Indonesia*, (Leiden: KITLV Press, 2008), p. 194-203

163 Borsumij, Jacobson van den Berg, Internatio, Lindeteves and Geo Wehry.

164 *Kumpulan ketentuan-ketentuan dan pengumuman-pengumuman BANAS*, (Jakarta: Badan Nasionalisasi, 1961), p. 348.

165 Peraturan Pemerintah no.16 tentang permintaan dan pelaksanaan bantuan militer.

According to Panglaykim, there were at least six informal groups that made up Indonesia's state company managerial class. 'i. Lower managers who became middle managers and were recruited from the personnel of the ex-Dutch firms – this group has a lot of practical experience; ii. Employees who were given special on-the-job training by the ex-Dutch firms in the framework of their Indonesianization; iii. Officers of the army and other military forces who were also given managerial position; iv. Political appointees recruited from private companies and the civil service; v. Managers recruited from people who had business themselves before coming into the state trading corporations, and civil servants who were already at the stage of retirement; vi. Young men who had just been awarded a university degree and who joined the state trading companies.'[166] Many of the military men had some measure of education. The army officer corps represented an especially highly educated elite group, 71% with higher education, with some attending management courses in the United States.[167]

Military expansion was also obviously occurring within the civilian administration. As part of the *karya* group, the military were reserved 35 seats as military deputies in Parliament. In practically all newly created institutions of the Guided Democracy, the military were to play a role and get prominent seats. Military members were appointed as governors and other executive civil service positions. In fact, there were more military members in important civil government posts during the last years of the Guided Democracy than in the early years of the New Order.[168]

The territorial affairs department of the general staff had been developing the regional authority of the military since proclamation of martial law in 1957 in a structure commonly known as the *Tjatur Tunggal*.[169] At the first regional (provincial) level, in martial law the role of the army was supreme within a governmental structure that incorporated other civilian authorities. *Tjatur Tunggal* structured regional government in a hierarchy placing the

166 Panglaykim, *State Trading Corporations in Indonesia. First Year's Performance, 1961*, (Jakarta: Jajasan Badan Penerbit FEUI, 1965), p. 7-8.

167 O.G. Roeder, *Who's who in Indonesia*, (Jakarta: Gunung Agung, 1980), p. 460

168 In September 1962, officers of the karya operation attended the Graduate School of Business Administration at Harvard University, among others. *Laporan tahunan 1963 Staf Angkatan Bersendjata, Direktorat Keamanan Dalam Negeri, Territorial dan Perlawanan Rakjat*, (Jakarta : Direktorat Keamanan Dalam Negeri,Territorial dan Perlawanan Rakjat, 1964), p. 11-12.

169 Translated as Four in One from Javanese, providing a picture for the structure of regional governments.

territorial military commander in charge of a committee that had as members the civil governor, the chief of police and the district attorney. If martial law were lifted, the civilian governor would replace him as chairman of the committee. When martial law was finally lifted in 1963, the military regional structure of *Tjatur Tunggal* remained effectively in place

The expansion of the army in the administrative and economic life of the nation resulted in deep centrifugal forces for the military. Obtaining managerial and administrative posts, these untrained army men were sometimes outwitted and used by more clever elements within the company, government or society. Cases where military administrators or managers were solely blamed for a fiasco or corruption began to mount. The territorial commanders of the army also had very different opinion in comparison to those of the mobile forces commanders about Sukarno's belligerent foreign policy. This was most succinctly demonstrated in the less than enthusiastic attitude shown by Nasution and many others in the unpublicized opposition they had mounted to both the West Irian campaign and Malaysian Confrontation.

Seskoad further developed the territorial doctrine under the order of General Nasution. In 1958, Colonel Soewarto, Assistant Commander of the Seskoad was ordered to conduct a series of meetings to discuss the meaning of the territorial doctrine. This was a precursor to the formation of the Civic Action programme, but an equally important component of the doctrine was the extension of army-based civilian groups that acted to counterweight society-based organization of political parties, in particular that of the Communists. *Onderbouw* organizations are extensions of political parties and have been a feature of Indonesian political life since the revolutionary war and perhaps even during the colonial period. The Pamongpradja used proxy groups during the pre-colonial and colonial period in order to extend the power of a particular elite group for things outside the state's legal boundaries.[170]

Prior to Sukarno's visit to Washington in April 1961, General Edward Lansdale proposed a Civic Action Programme for Indonesia by involving the Indonesian army in rural reconstruction and development projects.[171] According to Bunnell, the Chief of Staff approached US officers in Jakarta in

170 Sutherland, *The making of a bureaucratic elite*, p. 26.

171 Brad Simpson, *Economists with guns*, p. 48.

July 1962 for American assistance in Civic Action programmes as one of the TNI's post-West Irian military strategies.[172] In 1963, the Americans started implementing the Civic Action programme as part of the US assistance programme, along with five other Asia-Pacific countries.

President Kennedy offered the MAP agreement during President Sukarno's visit to Washington in 1961. In the spring of 1962, Army Chief of Staff General Maxwell Taylor visited Indonesia and concluded a Civic Action agreement at the Indonesian Army headquarters. Near the end of the year, an Inter-Agency Civic Action Advisory Team arrived in Indonesia and established the office of Special Assistant for Civic Action at the US embassy in Jakarta. Colonel George Benson, former military attaché to Indonesia and close friend to many top Indonesian military elite became its first Special Assistant.[173] By early 1963, American bulldozers, road scrapers and power hammers were arriving in Indonesia. Fifty US officers from Fort Belvoir civic training action centre, Virginia, were expected to train Indonesian army engineers on the use of the machinery. A group of Indonesian officers was also sent to army engineering training centres at Fort Belvoir and Fort Leonard Wood, Missouri. General Ahmad Yani officially opened the civic action course in late 1963. Civic action centres were being opened up throughout the archipelago for the purpose of training those in the 'development' brigade. The programme was conceived as counterinsurgency training and the plan was to equip 35-40 infantry battalions and 13 engineering battalions.[174]

Whether the roots of the Civic Action lay in the United States or was an indigenous development of Indonesia is difficult to determine. Looking at the roots of Nasution's guerrilla doctrine, public goods provision was already considered an important component of guerrilla warfare during the revolutionary period. Under the commander of the Siliwangi Division's General Kosasih and then continued by General Ibrahim Adjie,[175] the Bhakti Operation was launched specifically to implement the Civic Action

172 Frederick Bunnell, *The Kennedy Initiatives in Indonesia, 1962*-1963, (PhD Dissertation Cornell University, Ithaca, 1969), p. 147 and Rudolf Mrazek, *The United States and the Indonesian Military*, p. 78.

173 Rudolf Mrazek, *The United States and the Indonesian Military*, p. 77 and Brian Evans III, "The Influence of the United States Army on the Development of the Indonesian Army, 1954-1964" in *Indonesia*, Vol. 47, April 1989, p. 25-48.

174 Frederick Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 148.

175 A. H. Nasution, *Memenuhi panggilan tugas. Jilid 5: Kenangan masa Orde Lama*, p. 182.

programme within former DI areas in West Java. By 1962, the Civic Mission was absorbing 40% of the army's manpower in rural development projects.

The expansion of Civic Action and the implementation of the military's *Karya* role, meant an expansion of military education in sectors previously limited to civilians.[176] Some, like the formation of these Civic Action training centres above, were created specifically for military training in civilian fields. They focussed specifically on the development of the military's engineering capabilities in building roads and other infrastructural projects similar to the American Military Engineering Corps. Special managerial courses for military students were held at various universities, including Administration Science at the Faculty of Social and Political Science Padjadaran University in Bandung. Padjadjaran social scientists regularly lectured at the Seskoad and army officers took BA courses there. Ahmad Yani said 'we know for certain that the development of our country should be in the hands of the experts and those responsible. That would require technical education in all fields. Administrative science involving managerial know-how is one of the most important sciences, because administrative capabilities determine the smoothness of our efforts and increase efficiency.'[177]

Even when US aid to Indonesia was significantly reduced in 1964 and was said to be stopped in 1965, the amount of money going into the MAP was actually increasing. Between 1962 and 1965, $39.5 million of US aid was given to the MAP in comparison to the $ 28.3 million of US aid that been disbursed between 1949 and 1961. In fact, military aid for the Civic Action programme was increased in 1965, when many thought that

176 For instance, the production of rice, in which the military increasingly played a part in the People's Welfare Operation Command (KOGM-Komando Operasi Gerakan Makmur) created in 1959. The effort to achieve sustainability in rice production was thus created within military style organization or commandos, in which the military played an important part together with the agricultural ministry and the Depernas. The production of rice would be coordinated with the Food Source Board (Dewan Bahan Makanan) and the various Tjatur Tunggal at the Provincial level thus securing a truly state-controlled food production institution. The military is an essential component in this command structure.

177 Ahmad Yani, *TNI Membina Revolusi*, p. 112. Yani in a speech entitled "Beladjar dengan tekun dan penuh kesadaran" at the Social and Political Faculty, Padjadjaran University. "Kita mengetahui dengan pasti bahwa pembangunan Negara kita ini hendaknjalah berada didalam tangan para achli dan jang bertanggung-djawab. Untuk itu diperlukan pendidikan kedjuruan dalam segala bidang. Kedjuruan administrasi jang meliputi managerial Know how adalah salah satu kedjuruan jang sangat penting, karena keberesan administrasi akan membantu melantjarkan setiap usaha kita dan meninggikan efficientie."

the United States had stopped all aid. As early as May 1965, US military suppliers were negotiating equipment sales to Indonesia. In July 1965, Rockwell-Standard delivered 200 light aircraft for the army as part of the Civic Mission programme.[178]

Suwarto in an article co-written with UI economist Kartomo Wirosuhardjo laid bare the importance of territorial development and the Civic Action programme. The rationale for Civic Action from a military standpoint was obviously security, yet the goal of the programme was in line with the Constitution: the creation of a peaceful, wealthy and just society. In order to reach that goal, the military would have to do its part in directing social change. Thus, Civic Action implied bringing about modernization by channeling villagers toward other modes of social, political and cultural being. 'By introducing the spirit of *gotongroyong*, which is one of the principles of Indonesian socialism, Civic Action would have already helped in moving Indonesian socialism forward.'[179]

This was the result of the changing attitude the army has toward security. According to Soewarto 'in the Cold War there is no difference between peace and war,'[180] implying the necessity of building a doctrine that functions both during wartime and peacetime. Like the BKS organizations, the purpose of Civic Action was in line with population control. In accordance to the Seskoad's classification of potential enemies of the state, the uneducated and simple peasants were potentially attracted to Communist ideas. The army's anti-Communist campaign was through material incentives; i.e. through a military sponsored economic development. Suwarto and Kartomo imagined a rural-based army by building military barracks throughout the rural heartlands.

178 Peter Dale Scott, "The United States and the Overthrow of Sukarno", p. 239-264.

179 Suwarto and Kartomo Wirosuhardjo, "Bantuan Angkatan Perang dalam pembangunan suatu persiapan Pembinaan Wilajah" in Suwarto, *Himpunan Karangan Letnan Djenderal Anumerta*, (Jakarta: Karya Wira Jati, 1967), p. 57. "Jang terpenting ialah adanja kesadaran bahwa perbaikan desa mungkin ditjapai dan telah ditjapai dengan gotong royong. Dengan kembalinja semangat gotong rojong jang merupakan salah satu sendi dari Sosialisme Indonesia, civic action ikut membantu langsung pelaksanaanSosialisme Indonesia."

180 Suwarto, "Tjeramah tentang perang wilajah" in Suwarto, *Himpunan Karangan Letnan Djenderal Anumerta*, (Jakarta: Karya Wira Jati, 1967), p. 25. The full sentence was: "Djadi oleh karena dalam *cold war* ini pada hakekatnja tidak ada perbedaan antara perang dan damai dikatakan bahwa *war is never our goal*."

For the army, the introduction of army personnel to manual work would provide them with capabilities that would help them in transitioning toward a future civilian life. Soewarto in an article in *Karya Wira Djati* commented that army personnel must learn to become community leaders; they must act in a kind way that would not alienate the villagers. It thus asked the individual soldier to develop his social skills.[181]

It was hoped that developing the rural areas would lessen the perceived jealousy of villagers towards the cities. The idea of a military with pretentions to pushing forth modernization and social change was very much related to the threat of Communism. In fact, the main security threat seen by the army was in the form of rural poverty. Development was an essential component for the protection of the national and urban elite from the threat of a Communist insurrection. Kartomo's idea, which has been elaborated above, of a military-expert-businessman tripartite ruling class is a continuation of this idea. Thus, mass control was not merely being conceived through the lens of a projection of violent power, but also as a projection of modernity.[182] The employment of sociologists and economists within the para-commando and the rationale behind the Civic Action programme were part of the same counter insurgency idea. It was an effort to turn soldiers into social engineers.[183]

Conclusion

Expansion of military importance within the state can be gauged by the amount of money the government reserved for it. In 1950, the Indonesian military obtained one-third of the total government budget, a small amount in comparison to the two-thirds meted out by countries like India, the Philippines and Thailand at the time.[184] By the time the West Irian campaign was under way, 75% of the budget had gone to the military.[185] Added to the

181 Suwarto, "Civic Action" in *Karya Wira Djati*, No. 8, Vol. 2, 1962.

182 Michael E. Latham, *The Right Kind of Revolution,* p. 123-124.

183 Andrew J. Birtle, *U.S. Army Counterinsurgency and Contingency Operations Doctrine, 1942-1976*, (Washington: Center of Military History, 2006), p. 225 and Suwarto and Kartomo, "Bantuan Angkatan Perang dalam pembangunan suatu persiapan Pembinaan Wilajah" in Suwarto, *Himpunan karangan Letnan Djenderal Anumerta Suwarto* (Bandung: Karya Wira Jati, 1967), p. 56-57.

184 Abdul Haris Nasution, *Tjatatan Sekitar Politik Militer Indonesia*, (Jakarta: Pembimbing, 1955) p. 337.

185 CLM Penders and Ulf Sundhaussen, *Abdul Harris Nasution,* p. 160

large Soviet aid in military hardware, there was every reason for the military to support Sukarno's foreign adventures.

The relationship between social scientists, military officers and managers became stronger as the Guided Democracy proceeded. Military officers routinely undertook economic research, such as visiting Eastern European countries in order to find a better economic platform for the Guided Economy, and many like Nasution and Adjie published articles in professional managerial magazines during the period. It is also no coincidence that officers with managerial careers were those that supported the territorial doctrine. The territorial doctrine legitimated their participation in the management of Indonesian public office and its economy. As a result, both civilian experts and territorial officers had the same affinity being both managers. It was in this position that they both maintained a strong connection and, perhaps, even a feeling of esprit de corps.

Soehardiman credited Suharto's success "especially to his capable managerial skills."[186] It tells a lot about his position as a military manager, but it also opens up the view of many from within the New Order: its success was the result of the application of the managerial ideology that had become available and was taught to many military officers during the period. The increasing relationship between the military with both social science and social scientist strengthened the view that this was not merely a momentary strategic decision but a basic strategy of the New Order state and the modernist view it has of itself; its rational and scientific foundation, its managerial capabilities. The *Tri Ubaya Cakti* doctrine was created to replace the territorial doctrine and support Sukarno's offensive approach toward national defence. Although the doctrine was significantly reformulated in 1966, eliminating much of Sukarno's adventurist spirit, including the Nefo-Oldefo analysis of geopolitics, the permanent revolutionary stance and the project of creating Indonesia as a lighthouse of the world and so forth was gone.

186 Soehardiman, *Kupersembahkan kepada Pengadilan Sejarah. Otobiografi Soehardiman*, p. 223.

CHAPTER III

Expertise and National Planning

When the Republic obtained its sovereignty in 1949, there was a consensus amongst the leadership that it was in dire need of expertise of various kinds. This chapter discusses two developments concerning the post-colonial production of expertise during the 1950s. First, the development of higher education in both quantitative and qualitative measurement; this includes the expansion of domestic tertiary education and the Americanization of the curriculum and study methods; and the introduction of the *Guided Study* method. Second, the development of the institution for national planning and economic development, which was the result of a new institutional relationship forged by Sumitro Djojohadikusumo with the UNTAA and American Aid in the form of an intellectual relationship with what was called the Charles River (Harvard-MIT) community of scholars.

The developments above represented the defining characteristics in the changing elite culture of the 1950s. First, the decade was a period in which the effort to unshackle the colonial legacy occurred throughout various aspects of national life. One of the most famous was the nationalization of Dutch-owned enterprises and the effort to create a national economy. Yet, *Indonesianization* occurred in more than just the economy. It was prevalent in the education, legal and administrative systems, among others. Indonesia sought foreign expertise and consultants through the only available channel of the period: the international aid structure, which was dominated by the

United States of America. As a result, *Indonesianization* in many respects was practically similar to *Americanization*.

Second, the development of institutions for national planning and economic development resulted in a new protocol of elite production that became cemented during the decade. The shift toward education as a determinant of elite status was a significant event, surpassing noble status as a class marker. A new elite emerged from a social and cultural shift brought about by the introduction of the fetish of efficiency and the lexicographic assault of English terminology to denote modernity: efficiency, planning, manager and management and so forth. Terms like experts and managers became markers of status. Scientific management promised the production of capable, efficient leadership and that image began to compete with the nationalists for elite status. The new elite protocol changed because there was no other model available. As such, the Guided Democracy state embraced this protocol and implemented an expansive effort to apply managerial efficiency.

Expert Production

When the Dutch transferred sovereignty, the problem of expertise was already acknowledged as a significant problem. The number of Dutch experts went into a steep downward slide throughout the 1950s. If in 1950, there were more than 16,000 Dutch employees in leading positions, by 1951 the number had already dropped to 7,000 and by 1956, it had atrophied to just around 600.[1] Difficulties at the office owing to unclear division of tasks and responsibilities, exacerbated by the rising cost of living, lack of security, bad housing and the disappearance of good schools for their children, determined the decision of many Dutch experts to repatriate.[2] It was quickly appreciated that Indonesia needed to create just as many experts to replace the repatriating Dutch ones.

The government's effort to improve expertise amongst the civil service entailed two approaches: retaining or conscripting foreign employees and at the same time expanding education either in Indonesia or abroad for

1 Hans Meier, *Den Haag-Djakarta. De Nederlandse-Indonesische betrekkingen, 1950-1962*, p. 176.

2 NA, The Hague, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950-1957, Inv. Nmr.: 556-566, Nota omtrent de ontwikkeling van zaken in Indonesie in zoverre de verhoudingen binnen de Nederlands-Indonesische Unie en de belangen van Nederland daarbij betrokken zijn.

Indonesian employees. Dutch employees were preferred by Indonesia's administrative elites to importing expertise from other countries for several reasons. First, they knew Indonesia far better than experts from other countries. Second, the Indonesian higher echelon civil servants knew Dutch and thus communication between Indonesian and Dutch experts would be less of a problem. Third, the abilities of the Dutch employees were not in doubt and, to some extent, were considered to be superior to other Western nations.[3] Lastly, there were quite a number of new Dutch employees who were generally progressive.[4]Although initially uncertain of being incorporated into the social security system of the Republic of Indonesia, the Dutch employees of the Republic were assured by the Dutch government when it issued a regulation on 1 January 1950 on the payment of pension and other support for those that worked in the Indonesian government for a period of five year (until 27 December 1954).[5]

On the other hand, Indonesia was cranking up its production of experts by sending them abroad to foreign universities or expanding higher education for domestic production. In 1960, the Depernas has tried to get an overall picture of the number of experts available in the country by sending out a questionnaire to government departments and institutions. The outcome of this investigation was not accurate because some departments failed to provide information or provided incomplete ones, but the aggregate number gave an indication of the limited expert manpower available by the end of the decade. In all, there were 4453 Masters/*Doctorandus* degree, with 1659 medical doctors, 803 legal specialists, 650 engineers, 219 social/political scientist and 200 economists. In addition to this, there were 2519 people with bachelor degrees (469 majoring in social/political science, 221 in economics major, 282 law and 198 in engineering).[6]

Related to this was a serious lack of executive managers for the state. A look into the statistics of 1941 reveals a ratio of three executives to five non-

3 With the exception of the Netherlands Military Mission, which was disparaged by T.B. Simatupang in an article published in a newspaper. ANRI, Jakarta, Delegasi Indonesia, Inv. nr. 1267.

4 Sjafruddin Prawiranegara, *Indonesia Dipersimpangan Djalan*, (Djakarta: Abadi, 1951), p. 37-38.

5 *Antara*, 30 December 1952.

6 *Rantjangan Dasar Undang-Undang Pembangunan Nasional Semesta Berentjana: 1961-1969, Buku ke III, Mental/Ruhani dan Penelitian*, p. 1388-1389.

executives. Top-level executives were university graduates, while upper mid-level executives were graduates of college level academies (HBS, Gymnasium, MOSVIA, Bestuursacademie, etc.). In comparison to this the 1961 data show that the executive and top executive level had shrunk to a minimal 3,5 percent of the total civil service (E and F group). In order to return to 1941 levels, the production of eight to ten thousand public administration experts would be required, something which the four universities teaching public administration were not equipped to handle, with their annual turnout of just around 200 people.[7]

	Workers (Low Employee)	Supervisors (Lower Mid-Level Employee)	Executives (Upper Mid-Level Employee)	Top Ex./Policy Makers (High Employee)
Dutchmen	355	5.045	7.909	2.808
Indonesians	49.662	8.830	5.023	221
Chinese	157	337	240	-
Total	50.178	14.212	13.172	3.029
Percentage	61,78%	17,49%	16,21%	3,75%
Ratio	20	6	5	1

Data and levels of employment of civil servants, Dutch East Indies, October 1940. Taken from Prajudi Atmosudirdjo, "Masalah Pendidikan Ilmu Administrasi pada Perguruan-perguruan Tinggi" in *Lapuran Musjawarah Ilmu Administrasi Negara dan Niaga*, (Lembaga Administrasi Negara: Jakarta, 1962)

A	B	C	D	E	F
228.889	408.302	170.901	100.568	28.68	7.679
21,9%	39.1%	16.28%	9.63%	2.74%	0.72%
84		36		4	1

Data and levels of employment of civil servants, Indonesia, January 1961. The A-B represent workers, C-D represent supervisors, E represent executives and F represent top executives. The third bracket represented ratio, thus 5 executives for every 95 non-executive civil servants. Taken from Prajudi Atmosudirdjo, "Masalah Pendidikan Ilmu Administrasi pada Perguruan-perguruan Tinggi" in *Lapuran Musjawarah Ilmu Administrasi Negara dan Niaga*, (Jakarta: Lembaga Administrasi Negara, 1962)

7 Prajudi Atmosudirdjo, "Masalah Pendidikan Ilmu Administrasi pada Perguruan-perguruan Tinggi" in *Lapuran Musjawarah Ilmu Administrasi Negara dan Niaga*, (Jakarta: Lembaga Administrasi Negara, 1962), p. 32-34.

PUTABA (Pusat Tenaga Bangsa Asing)

The Center for Foreign Employees[8] or PUTABA was established in 1951 at the Indonesian High Commission in The Hague. It was created after the overseas visit of a team in June headed by Prof. Gunarso of the engineering faculty in Bandung, Prof. Sukarja, a medical practitioner, and Masoro, head of the General Directorate of the Ministry of Personnel Affairs. They were sent on a reconnaissance mission to Europe to look into the possibilities of importing experts. The team's itinerary included the Netherlands, Germany, Austria and Switzerland. The team did not go to England, instead focusing on 'Germanic language'-speaking countries.[9]

In 1950, the Commission that studied the matter of hiring foreign employees surveyed various ministries to determine the number of vacancies available. Poor coordination made it impossible to reach a specific number. Around 1700 to 2000 foreign experts were needed. Such a foreign employee on a temporary contract service would obtain all kinds of perks and benefits because of the high value attached to his work. He would be entitled to a free second-class ticket on a ship, a generous payment of baggage (*uitrusting*) money and he was allowed to send up to f. 5,000 a year to his home country and received a bonus of f. 5.940 after three years of work. The disparity of remuneration between a government and a private employee was very wide. An academic would obtain around Rp. 862 in Bandung or Rp. 918 in Jakarta, while a stenographer working for the private sector would collect Rp. 1000 in 1952.[10] Some Indonesian companies also obtained personnel from the colonial army as many former military opted for the private sector instead of returning to the Netherlands.[11]

This was an entirely new situation for the state. A foreigner would, first of all, have to fill in a huge, two-metre-long form deposited to the High Commission Office in The Hague. They had to have six to eight years of working experience and should be in the age bracket of 30-45. Payments

8 Pusat Tenaga Bangsa Asing

9 The *Ost-Asiatische Gesselschaft* and the *Institut fur Tropen Medizin* in Hamburg received the visitors with some enthusiasm and a German-Indonesian Association was created but not much seemed to have come out of it. J. Krol, "Internationale Technische Hulp aan Indonesia" in *Cultureel Nieuws uit Indonesia*, no. II, August, 1951, p. 12.

10 *Antara*, 14 April 1952

11 *Antara*, 18 July 1952.

would initially be in Indonesian rupiah. Unlike UN or US experts, foreign workers would be integrated within the various ministries. They would thus be working under an Indonesian boss and with Indonesian colleagues and subordinates.

By September 1951, only 100 people had been recruited for the three year contract, with another 200 under negotiation. Of the basic income, 20% would be in the currency of the country of origin, departing from the original idea of paying the entire salary and bonus in rupiah. The government provided residences in the Kebajoran Baru district in Jakarta. In advertisements published in Austria, a very large salary totalling Rp. 1810 a month was promised, in addition to a f. 13,000 bonus to be paid out in Austria after a three-year contract period. On August 21 1952, 17 medical doctors from various European countries (including the Netherlands, Germany, Austria, Italy and Belgium) who had signed a three year work contract with the government arrived in Jakarta.[12] They were among the 416 people that the PUTABA successfully recruited in 1952, far less than the target of 1200 workers. Of these 416, 229 were Dutch, 111 German, 39 Austrian and 18 Italians. 186 were doctors and pharmacists.[13] For the year 1952, the Government decided to allocate means to import 8.000 foreign workers, based on a coordinated tally with various ministries. This was an enlarged number compared to the quota of foreigners allowed to enter into the country by the pre-Federal government in 1949 (4.000 persons). It was also a much larger number than the previous year which involved 1700-2000 foreign specialists.

The quality of many applicants were dissapointing. Some of the Swiss youths sent to Indonesia had received only very basic training, which was not in line with the remunerations they obtained.[14] According to Syafruddin Prawiranegara: the problem seems to have been less to get them to Indonesia than getting them out of Indonesia.[15] In general, Indonesian efforts in obtaining foreign expertise to work directly and *organically* within the

12 *Antara*, 21 August 1952.

13 *Antara*, 31 August 1953.

14 Rp. 1,500 with a 10,000 Swiss franc per year bonus

15 NA, The Hague, Hoge Commissariaat Indonesie, inv. nr. 442.

national civil service was a failure. The PUTABA continued its work until the middle 1950s, but the number recruited lagged far behind what was needed.[16]

Post-Colonial Dutch Higher Education

Prior to the cessation of the relationship, the Netherlands provided a significant amount of schooling for Indonesian. In fact, in the year after the signing of the RTC conference, the Netherlands was practically the sole provider of foreign higher education to Indonesian youths.[17] The list below shows the number of Indonesian students that had gone to study in the Netherlands during the 1950s. Relatively limited during the Revolutionary Period, the number climbed by the end of the 1940s and enjoyed a brief high between 1950-1953 before declining and ending by 1957. The number sent during this period was comparable to the total number of Indonesians studying in the Netherlands from 1924-1940 (344 Indonesians). Not included in this number were 360 Indonesian Chinese students.[18]

Basuki Gunawan's study of Indonesian students in the Netherlands showed that the similarity in educational curriculum and methods, the use of the Dutch language and the prestige of going to the Netherlands to study was still a factor amongst early Indonesian students, but also that feelings of inferiority and the fear of not being able to find permanent government position at home were important considerations.[19] The Malino scholarship announced after the Malino conference in 1946 allowed for continued Indonesian presence in the Dutch education system,[20] at least until 1957 when a complete cessation of the relationship with the Netherlands came about.

16 PUTABA managed to pay for Dutch professors to teach in Indonesia, which included K. Posthumus and J.A.L. Cuisiner to teach at Universitas Gadjah Mada, P.L. van den Velden, F. Weinreb and P.N. Drost to teach at Universitas Indonesia and C.G.G. van Herk to teach at Universitas Indonesia in Bogor in 1952. In Putusan2 Rapat ke-31 Kabinet Ali Sastroamidjojo tanggal 19 Djanuari 1954, ANRI, Kabinet Presiden Republik Indonesia, inv. nr. 9h

17 Basuki Gunawan, *Indonesische studenten in Nederland*, (The Hague: W. Van Hoeve, 1966), p. 31.

18 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 29.

19 Basuki Gunawan, *Indonesische studenten in Nederland*, p. 31.

20 NA, The Hague, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950-1957, inv. nr. 514-523.

Year of Arrival	Number/Percentage
1946	11 (3%)
1947	11 (3%)
1948	32 (9%)
1949	36 (10%)
1950	42 (12%)
1951	59 (17%)
1952	56 (16%)
1953	50 (14%)
1954	25 (7%)
1956	27 (8%)
1957	2 (1%)
Total	351 (100%)

Source: Basuki Gunawan, *Indonesische Student in Nederland*, p. 33. The number of Indonesian students coming to the Netherlands per year.

Indonesian civil servants continued to be sent to the Netherlands in the earlier period. In February 1951, Sumitro sent eight employees of the Ministry of Trade and Industry to New York and London.[21] On 24 January 1952, a large contingent of demobilized students left Indonesia for Holland on the passenger liner *Oranje* to pursue a university or high school education. The 16-member team was the third to have been sent to the Netherlands to obtain education in order to replace Dutch experts that were expected to leave the country soon. Fifty-three other Indonesian military-demobilized students were already in the Netherlands studying various sciences, including psychology, administration, aviation, cooperative farming and fisheries. At this time, there were no other countries where Indonesia sent its students.[22] Yet, unease about the steadily worsening Dutch-Indonesian relationship impacted the desirability of Dutch higher-learning. Of the 200 Indonesian students interviewed, 70% admitted their desire to study elsewhere.[23]

21 *Antara*, 24 February 1951.

22 *Antara*, 24 January 1952.

23 Basuki Gunawan, *Indonesische student in Nederland*, p. 31.Especially to the United States, England, Scandinavian countries, Switzerland and Egypt.

The government sent 284 Indonesians with civil service obligations (*ikatan dinas*) and 142 with foreign exchange to study in the Netherlands during the period 1950-1956. In total there were 426 studying in the Netherlands. In comparison, the amount of students that went to the United States from 1950 to 1962 was only 59 persons. In fact, the next largest country that the government sent students to was West Germany with 242 persons.[24] Although most Indonesian would be sent to the US than to any other country, from the perspective of the Indonesian government, the Netherlands and West Germany represented a more prospective place for study. This was in accordance with the initial policy of the PUTABA, which probably because of linguistic reasons prioritized 'Germanic' countries as a source of skilled workers.

In the academic year 1952-1953, 1540 students from Indonesia went to study in Dutch universities and high schools, compared to the 8 Indonesian students who went to Paris, for instance. 188 of them were on civil scholarship and 187 on military scholarship. The rest were privately paid. Amongst civil servants, 9 came from the Ministry of Transportation, 21 from the Social Ministry, 11 from the Ministry of Finance, 5 from the Ministry of Information, 15 from the Ministry of Education and Culture, 2 from the Ministry of Agriculture, 6 from the Ministry of Health and 2 from the Ministry of Economic Affairs. Post-colonial higher education for Indonesian students in the Netherlands experienced a significant shift. During the 1924-1940 periods, the majority of Indonesian students studied at Leiden, especially its law school, while only a limited number went to the engineering school at Delft. In fact, out of a total of the 344 Indonesian who pursued Dutch higher education, 199 studied in Leiden versus 25 students in Delft.[25]

There were several reasons for the shift in educational emphasis. First, the majority of Indonesians that could afford to go to Dutch universities during the colonial period hailed from the traditional aristocracy whose main occupation was within the colonial bureaucracy. Since colonial bureaucracy focused on the application of Dutch laws, there was an emphasis on legal studies for aspiring bureaucrats. Second, many of those that went to the Netherlands in the 1950s were paid for by the government or by the Malino scholarship, thus they supplied the manpower needs of the state. Economic

24 Bachtiar Rifai, *Perkembangan Perguruan Tinggi di Indonesia*, 224-226.

25 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 29.

deterioration and inflation meant that many, including the former aristocracy, had a diminished income that did not allow them to send their children abroad. The state and its access to state and foreign scholarship would determine those who would be able to obtain foreign education.

The Universities	Number of Indonesian students
Technische Hogeschool Delft	68
Universiteit van Amsterdam	44
Rijksuniversiteit Leiden	42
Economische Hogeschool Rotterdam	16
Middelbare Technische School Rotterdam	17
Hogere Textielschool Enschede	14
Others	81
Total	282

Source: Antara, 22 August 1953

Expansion of Universities and Academies

Glassburner remarked that Indonesia "has probably accomplished more by way of eliminating her high-level manpower gap than she has in any other area of economic development policy."[26] In 1949/1950, there were only six higher learning institutions in Indonesia: Universitas Indonesia, Universitas Gadjah Mada, NIAS[27] and STOVIT[28] (which became Universitas Airlangga in 1954), Universitas Nasional and the Police Academy in Jakarta. The number of students totaled 3377 persons. By 1955, there was in total 27 higher learning institutions with 18.122 students. By 1964/65 there were 355 institution of higher learning with a total student body of 278.000 people. In comparison, over 1939/1940 there had been 1.693 enrolled

26 Bruce Glassburner, "High-level manpower for economic development: the Indonesian experience" in F. Harbison and C.A. Myers (eds.), *Education, manpower and economic growth; strategies of human resource development*, (New York: McGraw Hill, 1964), p. 201.

27 *Nederlands Indische Artsen School*

28 *School tot Opleiding van Indischen Tandartsen*

students. Between 1950 and 1959, eight universities were founded. Based on the Law no. 22/1961 every province was to be furnished with one higher education institute, preferably a university and that the ratio between science and engineering faculties and social/behavioural science and humanities to be seven to three.[29] As a result from 1960 to 1966, twenty-eight universities were founded throughout the archipelago.[30]

There were several ways in which universities were created; some started out as faculties of a university that was incorporated into a full-fledged university, others were created from scratch by either members or groups in the civil society or the government. A number of other state universities started as private universities that were later incorporated into a state university. These institutions were usually created by prominent regional and central civilian and military elites who were concerned about providing their areas with higher education, while at the same time elevating their status as founder of higher education institutes.[31]A larger number of private universities were not incorporated into state universities. For instance, the University of Res Publica (present day Trisakti) was created by the Chinese organization Baperki and was also highly influenced by the Communists.[32] By 1959, there were around 80 private universities/schools and as part of the enthusiasm of early Guided Democracy developmental push, they grew to 114 by 1961.[33]

Aside from universities, Ministries and private institutions created academies. By 1954, 15 academies had been created with a study curriculum ranging from two to five years. The Ministry of Education and Culture, Foreign Affairs, Commerce and Industry, Public Works and Defence each had an academy, while the Department of Agriculture had three and the Department of Communications had four. The total number of persons taught in ministerial academies in 1955 totaled 1128, with the largest studying in the 3-year course Academy of Military Law.

29 Bachtiar Rifai, *Perkembangan Perguruan Tinggi*, p. 8.

30 Gerhard Junge, *The Universities of Indonesia. History and Structure*, (Bremen: Bremen Economic Research Society, 1973), p. 28.

31 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 145-154.

32 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 150-151.

33 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 87.

Name of School	Conducted by	No. of Students
1. Academy of Indonesian Art	Ministry of Education and Culture	173
2. Academy for the Foreign Service	Ministry of Foreign Affairs	80
3. Academy for Foreign Economic Relations	Ministry of Commerce/Industry	72
4. Academy of Forestry	Ministry of Agriculture	28
5. Academy of Agricultural Research	Ministry of Agriculture	76
6. Governmental Sucrose College	Ministry of Agriculture	65
7. Academy of Technical Education-Foundation	Ministry of Public Works	142
8. Higher Education for the PTT	Ministry of Communications	183
9. School for Technical Experts for the Railways	Ministry of Communications	44
10. Academy of Navigation	Ministry of Communications	16
11. Academy of Commercial Navigation	Ministry of Communications	26
12. Academy of Military Law	Ministry of Defence	223
13. National Academy of Engineering	Subsidized (less than 100%)	307
14. Indonesian Academy of Commerce	Private	n.a.
15. Academy of Economics	Private	n.a.

Source: *Development of Education in Indonesia*, (Jakarta: Ministry of Education, Instruction and Culture, 1955), p. 13.

The total number of government employees undergoing education in 1958 was 25,672. About 43% or 11,042 were student with civil service obligations (*ikatan dinas*). Of those 11,000 students, 1,427 were enrolled in a course of more than three years, 4,068 were in a 3-year course, 3,383 were on a 2-year course, 2,115 on a 1-year course and only 49 people on a short course of six months. The largest group came from the Ministry of Agriculture (8,111), followed by the Ministry of Health (7,055), the Ministry of Education and Culture (2,351), the Ministry of Transportation (1,634) and the rest (6,521).[34] This expansion of civil service obligations was in line with the massive expansion of government academies, but also with the expansion of government owned-universities. The expansion of the number of academies would reach a total of 128 academies by 1970, with the largest growth occurring between the years 1961-1970 (with 72 new academies opened).[35]

34 *Kursus-kursus departemen dan djawatan*, p. vii-viii.

35 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 131.

The government realized early on that the curriculum for educating civil servants through a four-year university course would not supply the current needs. The urgent demand for trained workers from the business world was not covered either. Efforts at hiring Dutch specialists from the Dutch-controlled Indonesian business world were unsuccessful. Many people entering business were former government civil servants of Dutch origin, whether in administration or technical services. Bringing them from the Netherlands was expensive and many of the prospective workers were not attracted unless they were given some guarantee of safety and financial security.

Indonesianization and Americanization

The development of new curriculums and modes of study was an essential component in the Indonesianization effort and was dependent on the presence of American faculty teachers within the university-to-university cooperation agreements. By the middle 1960s, the new Indonesian curriculum was based on an American foundation and would have left behind much of the Dutch system.[36] We will look into the Kentucky University – Institute of Agriculture Bogor (IPB) cooperation to see how this shift from Dutch to American educational system occurred. It wasn't purely the recreation of Indonesian universities into exact clones of American ones. "With Indonesian acuity, the staff at IPB was maintaining some of the system they had learned from the Dutch, studying systems elsewhere in Europe and Asia, refining their own expectations, and utilizing the innovative judgments of Ken-team colleagues. Out of all this it was finding identity as the Indonesian Agricultural University."[37] It was thus both a selective process of de-Europeanization, Indonesianization and Americanization.

36 Since the early 1950s, calls for changing the Dutch language toward English were heard from various educational organizations. ANRI, Jakarta, Kabinet Presiden Republik Indonesia, inv. nr. 1090.

37 Howard W. Beers, *An American experience in Indonesia. The University of Kentucky Affiliation with the Agricultural University of Bogor*, (Lexington: University Press of Kentucky, 1971), p. 109.

University and Faculty	Affiliation	Financial Support
Universitas Gadjah Mada		
Economics	University of Wisconsin	Ford Foundation
Mathematics/physics/technology	UCLA (University of California)	ICA
Universitas Indonesia		
Medicine	UCSF Medical Center	ICA
Economics	UC Berkeley	Ford Foundation
Agriculture and Forestry	University of Kentucky	ICA
Animal Husbandry	University of Kentucky	ICA
Universitas Airlangga		
Medicine	UCSF Medical Center	ICA
Teacher's college	SUNY, Albany (State University of New York)	Ford Foundation
Institut Teknologi Bandung		
Engineering/mathematics/ chemistry/biology/physics	University of Kentucky	ICA
Universitas Sumatera Utara		
Teacher's college	SUNY, Albany	Ford Foundation
Universitas Padjadjaran		
Teacher's college	SUNY, Albany	Ford Foundation

Source: Bruce Glassburner, "High level manpower for economic development: the Indonesian experience" in F. H. Harbison & C.A. Myers, *Manpower and Education. Country Studies in Economic Development*, (New York: McGraw-Hill, 1965), p. 186. Affiliation agreement in 1960.

On 30 January 1950, the government issued an emergency law on university education to replace the Ordinance of Staatsblad 1947 no. 47 by the pre-Federal government. The formation of an Inter-University Committee signaled the end of the dualism that had existed between the Republican and Federal systems of higher education. Dutch domination of administrative functions was ended; the new president was an Indonesian, Soerachman Tjokroadisoerjo, who resigned in 1951 and was replaced by Prof. Soepomo. The process of reshuffling professors occurred during the course of the 1950s, where faculties that were politically important went into Indonesian hands, whereas Dutch professors were to teach courses in

specific technical fields that were non-political.[38] Thus the faculty of law of all state-owned universities was for 80% Indonesian, whereas engineering had no Indonesian teachers.[39] As explained by the chair of the Council of Curators, 'It is a consequence of our freedom that we must push through this nationalization. This applies especially for courses are concerned with national administrative leadership.'[40] Those who had taught in 'politically sensitive' subjects were offered to teach courses less sensitive, for instance, international law instead of Indonesian law.

The government responded to the lack of lecturers in several ways. First, experts working in government services were required to allocate time for temporary teaching. A second effort was to import lecturers from abroad. A dozen Dutch professors were invited to teach at various universities for a period of 6 to 12 months. Throughout the 1950s, Indonesia imported a number of lecturers for the universities. In July 1957, there were 148 permanent foreign lecturers, consisting of 85 professors and 63 assistant lecturers and 120 non-permanent lecturers. Indonesia imported 31 lecturers in 1955, 37 in 1956 and only 8 in 1957. Many of these were under the aid schemes of UNESCO, the Colombo Plan and the Ford Foundation.[41] By the end of the 1950s, the expansion of Indonesian faculty members had resulted in a gradual but significant *Indonesianization* of the university system. For instance, at the Universitas Indonesia in 1951-1952, of 471 members, only 190 or 40 percent of the faculty were native Indonesian, with the remaining 241 or 60 percent consisting of non-native Indonesian, including around 200 Dutch professors. By 1953, some 75 Dutch professors remained and by 1956, there were perhaps only around 35 left.[42] By 1962-1963, 99 percent of the 1,273 faculty members were Indonesian. Considering the fact that most

38 The university presidents also held a meeting in April 1952 and decided that the Dutch language should be replaced as soon as possible with Indonesian. ANRI, Jakarta, Kabinet Presiden Republik Indonesia, 1950-1959, inv. nr. 1090.

39 Locomotief, 25 November 1950.

40 NA, The Hague, Hoge Commissariaat Bandung, Inv. Nmr. 514-523, Notities no. 18 over "concordant" onderwijs (A) cultuur en Indonesisch onderwijs (B).

41 "Rapat kerdja menteri PP&K dengan seksi E DPR", in *Suara Guru*, Vol. 7, No. 2, September 1957, p. 4-5, ANRI, Jakarta, Kabinet Perdana Menteri Republik Indonesia, inv. nr. 529.

42 Bruce Lannes Smith, *Indonesian-American Cooperation in Higher Education*, (East Lansing: Institute of Research on Overseas Program, Michigan State University, 1960), p. 28.

professors in the early 1950s were still Dutch, the *Indonesianization* resulted in lowering the level of education of the teaching staffs.[43]

More importantly, Indonesian universities broadened the scope of possible co-operation. Instead of the usual sister-universities in the Netherlands, the post-war years provided access to other countries, especially the United States. In his acceptance speech as the new president of the UI in 1951, Prof. Soepomo indicated that the post-colonial university functioned in a period rife with internationalism. Aside from receiving professors, Indonesian universities also regularly sent professors on short-term stints abroad. The UN and its panoply of new international organizations provided some relief for the provision of professors. Gadjah Mada in 1951 obtained two professors from the WHO and one from UNESCO, and in May of that year, Prof. Sardjito and Prof. Johannes attended UNESCO conferences.[44]

The education of civil servants, especially in the executive and administrative branches, was acknowledged by the Department of Interior early on, especially in connection with decentralization and regional autonomy. The Department focused on providing academic and semi-academic education, providing more teaching opportunities at local universities. Prospective civil servants were screened at local and national levels and then admitted to the social, law and political faculty of UGM.[45] In 1952, UGM was the only university in the country to provide the kind of education required for executive and administrative civil servants.

Aside from civil servants, the Ministry of Education and Culture also provided scholarships for up to 150 non-civil servants with an *ikatan dinas*. This required them to work for the government after they had finished their scholarship.[46] The need to expand the education of civil servants paralleled the expansion of Gadjah Mada itself. In 1954, the university created a sister-faculty in Surabaya's new Airlangga University, focusing on law, economics and social and political science. Airlangga was developed out of the Medical Faculty and had once been part of the Universitas Indonesia. A Surabaya branch of Gadjah Mada law faculty was inaugurated on 9 April 1955, whereby lecturers from Gadjah Mada would be appointed as extraordinary

43 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 49.

44 M. Sardjito, *Laporan Tahunan Universitit Negeri Gadjah Mada*, 19 Desember 1951, p. 6-10.

45 Education for the Ministry of Justice was also to be produced through UGM said Justice Minister Mr. Wongsonegoro, *Harian Indonesia*, 13 March 1951.

46 *Antara*, 14 August 1952.

lecturers in Airlangga. Airlangga's first president was A.G. Pringgodigdo who also hailed from Gadjah Mada.[47]

The Rise of the Guided Study

The shift toward a new curriculum was part of what was then called the "total reorganization" that had affected old and new universities alike. Obviously, the old core universities- Universitas Indonesia, Universitas Gadjah Mada and some of their earlier offshoots like Padjadjaran, Hasanuddin and Universitas Sumatra Utara-had difficulties in transitioning. Many of these universities still hosted Dutch professors and Dutch-educated teaching staffs. Although most Dutch professors were gone by 1957, the teaching staffs required a bit of cajoling in order for them to be truly comfortable with the new curriculum.

The main reason for this change was not merely the need for Indonesia to break out of its colonial mold and take the reins in education. It was in fact a question of efficiency, or the extreme lack of it within the national education system.[48] For starters, although the expansion of Indonesians studying in the national university system was amazingly fast, there was a lag on the number of graduates. Thus, on average only 20% of all the student body passed the yearly exams. Although the regular term for a *Sardjana Muda* (equivalent to a bachelor's degree) was four years, many students overshot this considerably, getting their degree in their eighth or even tenth year.

The reason for this inefficiency lay in the 'liberal' nature of the Dutch higher education system of the time. Gradually the term "Free Study" was used to contrast this with the American-inspired "Guided Study" system, a terminology that paid homage to the planning and efficiency idea that surrounded the rise of the Guided Democracy state. Within the European Free Study system, a graduated high school student had no requirement to pass an entrance exam in order to enter into a certain study department. The student had no obligation to attend lectures and would show up just for the exam, which was an oral exam. If the student failed, he could re-take the exam. In fact 60-70% of the students failed their first exam. Little guidance

47 Thomas R. Murray, *A Chronicle of Indonesian Higher Education*, p. 96-100.

48 It hadn't merely to do with the curriculum. Problems persisted on the issue of funding and the bureaucratic relationship with the central government. Kesukaran-kesukaran pada Universitas Indonesia. ANRI. Jakarta, Kabinet Presiden Republik Indonesia 1950-1959, inv. nr. 1217.

or structure existed within this system. In addition, the lack of facilities, books and laboratories at Indonesia's fledgling university system resulted in many drop-outs and demotivated students.[49]

The Guided Study method introduced the entrance exam. The student was required to attend mandatory courses and take written exams. The course system was to work within the semester system, introducing structure to the study lives of students. Oral exam was replaced with written exam and the method of rote memorization and professorial lectures were replaced with discussion groups. Study term was also expected to be finished within the required time-frame. Relationship between lecturers and students changed, at least between students and American professors and lecturers.

The shift toward an American system was not accepted fully by the Indonesian staffs. There were those who had grown up within the Dutch system and were much more comfortable with it. An Indonesian teaching staff at IPB commented that "nearly all stressed too much the system with which they were familiar. This is natural because it is difficult to switch to another system with which one is not familiar. It was not so much that they were 'pushing,' but that they were used to their own system and naturally considered it better. In the early stages of the affiliation this was felt more than now because IPB participants after returning began to use more of the American system which they had learned, so prevalence [of the guided system] gradually grew."[50] In addition to this, it was felt that American methods were time and energy consuming and they also required additional equipment and materials that the staff neither had nor desired.

The International Aid Protocol

President Harry S. Truman's administration was pivotal in constructing the global governance structure, which was predicated on the effort to reduce the

49 See Bruce Lannes Smith, *Indonesian-American Cooperation in Higher Education,* Thomas R. Murray, *A Chronicle of Indonesian Higher Education,* Kenneth Lee Neff, *Educational Planning in a National Development Context: Indonesia, a Case Study*, Howard W. Beers, *An American experience in Indonesia. The University of Kentucky Affiliation with the Agricultural University of Bogor*, Bachtiar Rifai, *Perkembangan Perguruan Tinggi selama 20 Tahun Indonesia Merdeka,* among others.

50 Howard W. Beers, *An American Experience in Indonesia. The Kentucky Affiliation with the Agricultural University at Bogor*, p. 156.

possibility for another conflagration, a systematic planning for peace.[51]Aside from the Keynesian Bretton Woods institutions of the IMF and the World Bank, the Marshall Plan and the Point Four Program, a technical assistance programme for 'developing countries', were created to reduce the possibility of Communist expansion.[52] The focus on Asia, for instance, was mainly directed toward China and Japan. The ECA did provide technical assistance for smaller Asian countries (not including Indonesia), but these represented small technical aid projects, instead of comprehensive development packages. The Point Four Program, proclaimed in 1949, created a bureaucratic infrastructure for international technical assistance and focus on foreign direct investment under the assumption that economic expansion could forge peace and democracy.[53]

Technical assistance was a multilateral exercise involving a variety of nations with the United States taking over the reigns and initially providing some 60 percent of the total aid of the United Nations Technical Assistance Administration.[54] Commonwealth countries within the Colombo Plan organization also provided help with an intention that mirrored American initiatives; it was an effort to reduce the appeal of Communism and redefine an asymmetrical relationship from a colonial one in which, as people within the dependency school would put it, the creation and management of the Third World was manifested.[55]At the other end of the spectrum, Soviet assistance, especially after the death of Stalin in 1953, shifted toward a less military approach and the adoption of a subtler attitude toward the underdeveloped parts of the world,[56] Communism would also be promoted through the power of aid.[57] This crusading zeal for modernity

51 Robert A. Pollard, *Economic security and the origins of the Cold War, 1945-1950*, (Colombia University Press: New York, 1985), p. 10-32.

52 Robert A. Pollard, *Economic security and the origins of the Cold War, 1945-1950*, p. 133-167.

53 Robert A. Pollard, *Economic security and the origins of the Cold War, 1945-1950*, p. 205-209.

54 David Webster, "Development advisor in time of cold war and decolonization: the United Nations Technical Assistance Administration" in *Journal of Global History*, Vol. 6, Issue 2, July, 2011, p. 249-272. Aside from the UNTAA, there were also other forms of assistance organization; such as the WHO, FAO, UNESCO, ILO, ICAO.

55 Arturo Escobar, "Power and visibility: Development and the invention and management of the Third World" in *Cultural Anthropology*, Vol. 3, No. 4, November, 1988, p. 428-443.

56 Jeffrey F. Taffet, *Foreign aid as foreign policy. The Alliance for Progress in Latin America*, (Hoboken: CRC Press, 2007), p. 14.

57 Orah Cooper and Carol Fogarty, "Soviet economy and military aid to the less developed countries. 1954-1978" in *Soviet and Eastern European Foreign Trade*, Vol. 21 Issue 1-3,

and modernization, often expressed through the images of industrialization, mega-infrastructure and the technological capability of humans to revamp whole landscapes, was a modern fetish reverenced everywhere in post-war society. Not only was industrialization and modernization pushed by the West, but also by the Communists.

This confluence of ideology and belief in the specific modernity brought about by the technical assistance experts and the development-minded politicians and leaders of newly independent nations were significant.[58] Soviet aid to Indonesia dwarfed that of the United States, yet no pro-Soviet economists ever came close to the control of Indonesia's PSI-dominated intellectuals. Three-fourths of all delivered Soviet aid from 1954-1968 were in the form of military assistance and those experts that had been sent for industrialization purposes were, for the most part, engineers. In fact, most Soviet managers, as Indonesian economists would find out in their study of East European societies during the Guided Democracy, were engineers.[59]

These elite of engineers may not have been the gospel-like preachers of modernity that the social scientists of the West were. Many technical assistance experts had to sell the idea of state-sponsored development in the capitalist West, for most were not capitalists themselves in the traditional sense. David Webster grouped many of them as Fabian Socialists, a political terminology which according to Anne Booth equated well with Indonesian social democrats.[60] Many of them saw planning as the holy grail of development. "Colombo Plan members approached planning with an attitude approaching 'worship'".[61] As we will see, the 1950s' Indonesian technical elite also shared the same political ideology; with most of them affected by Dutch social democracy, a political system that they themselves were exposed to during their sojourn in the Netherlands, by socialist ideas and, perhaps, even by Japanese fascist/corporatist notions. Benjamin

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Spring-Fall1985, p. 54-73.

58 Some of the experts send like Nathan Keyfitz and Douglas Deane were members of churches, indicating the presence of some proselytizing spirit in at least a minority of them.

59 Panglaykim and Hazil, *Struktur Management dan Organisasi dalam beberapa Negara Sosialis*, (Jakarta: Pembangunan, 1962), p. 16-18.

60 Anne Booth, "The colonial legacy and its impact on post-independence planning in India and Indonesia" in *Itineratio*, vol. 10, no. 1, 1986, p. 13.

61 David Webster, "Development advisor in time of cold war and decolonization: the United Nations Technical Assistance Administration" p. 258.

Higgins, for instance, believed that public-owned companies could be an effective means to pushforth economic growth.[62] This was a sentiment shared by many Indonesian experts, especially considering the utter lack of an entrepreneurial class during the early decades and the seeming impossibility to imagine a free market-based economy within the Indonesian society of the 1950s.[63]

On 4 December 1949, a UN resolution was passed on the composition of technical assistance; the deployment of a team of experts to assist countries as advisors, the training of experts of less developed countries abroad, the training of experts and auxiliary personnel within the country, the deployment of personnel and materials for specific projects and the exchange of information. In May 1950, a mission from the UN Secretariat visited Indonesia, along with agents from UNESCO, FAO and WHO. UNESCO would help Indonesia develop a people's education and rural reconstruction. The WHO and UNICEF worked together with the Department of Health in various health initiatives.[64]

Development of Indonesian-American Aid Relations

During the Revolutionary War, a group of Indonesian officials, comprising mostly PSI intellectuals, started to lobby the US government. Sumitro Djojohadikusumo and Soedjatmoko were hosted by an American group concerned about the growing clout of Communism in Asia, and met with the established circle, especially members of the Council of Foreign Relations,

62 Benjamin Higgins, "Thoughts and Action: Indonesian Economic Studies and Policies in the 1950s" in *Bulletin of Indonesian Economic Studies*, Vol. 26, no. 1, 1990, p. 37-47.

63 Benjamin Higgins, "Introduction" in Benjamin Higgins (ed.), *Entrepreneurship and Labor Skills in Indonesian Economic Development: a Symposium*, p. 22-28, He was rather optimistic about the rise of an entrepreneurial class. Everett Hawkins, in the meantime, was less so. Sumitro Djojohadikusumo, despite the sheer magnitude of corruption, was pleased with the Benteng Programme, because even if many of the businessmen nurtured by the Indonesian government turned out to be fraudsters, the few that came genuinely out of the programme as 'real entrepreneurs' could be used as a nucleus for further development of a real Indonesian entrepreneurial class. In the end, Indonesia already had an entrepreneurial class; the Indonesian-Chinese, and it would be these people that would be nurtured as an entrepreneurial and industrial class during the New Order regime later on.

64 J.R. Krol, "Internationale hulp aan Indonesia" in *Cultureel Nieuws Indonesie*, no. II, August, 1951, p. 2-15.

one of the most influential think tanks in the United States.[65] It was Sumitro's duty to drum up American support for the Indonesian-side during the Revolution. The fear of Communism had been hampering Indonesia's effort to win America to its side.[66] This was part of the charm offensive conducted by the Indonesian republic at Yogyakarta to reassure America that a post-colonial Indonesia would not hastily nationalize Western companies and assets within the country.[67]

In a speech about the Point Four Program and Southeast Asia, Soedjatmoko reiterated the cautiousness of the Asian approach toward aid: "Why is it that no leaders in Southeast Asia immediately hailed this plan, as Marshall's proposals had been immediately seized upon and embraced by the leaders of Europe?" The answer to this was that it came from the disillusionment of the elite with America's dithering stand toward Asian independence movements, particularly "America's failure to make a sufficiently early stand on the issues of colonialism" which "left very serious doubts in the minds of many Asians as to America's true intentions."[68] Although there was no doubt about the support that technical assistance had from within the Indonesian intellectual class, suspicion remained in other parts of the Indonesian elites. The suspicion was rooted in, as Soedjatmoko has said, the failure of America to act quickly to support the Republic against Dutch aggression during the revolution, but also because many of the elites were leftists who harboured reservations against American control. The fall the Sukiman cabinet as a result of the signing of the Mutual Assistance Agreement with the United States illustrated this ambivalence toward the West.[69]

During the Second Dutch Military Aggression, Sumitro, who had become a permanent financial and trade representative to the United States and a member of the Indonesian delegation negotiating at the UN in New York, met with the acting US Minister of Foreign Affairs Robert A. Lovett on 20 December 1948. The Republican elites realized that the Netherlands

65 David Ransom, "The Berkeley Mafia and the Indonesian Massacre", p. 2.

66 Frances Gouda and Thijs Brocades Zaalberg, *American Vision of the Netherlands East Indies/ Indonesia. US Foreign Policy and Indonesian Nationalism, 1920-1949*, (Amsterdam University Press: Amsterdam, 2002), p. 209-214.

67 This also included the visit by Soedjatmoko to New York in support of the Marshall Plan. See: David Ransom, "Ford Country: building an elite for Indonesia", p. 93-116.

68 Soedjatmoko, "Point Four and Southeast Asia" in *Indonesie*, Vol. 4, 1950-1951, p. 3-4.

69 Herbert Feith, *The Decline of Constitutional Democracy in Indonesia*, p. 198-207.

had difficulty in funding their operations without the help of the Marshall Plan. Lovett reassured him that while the Marshall Plan funds for the Netherlands would not be stopped, the money intended for Indonesia had been completely halted. Sumitro held news conferences to gauge the opinion of the American public and thus was cementing Indonesia's first important post-independence relation with the US. His position on Indonesia's economic diplomacy with the United States was stated clearly in his report to the Indonesian Foreign Minister H. Agus Salim, entitled *Indonesian Economic Maneuvers in America*.

Initial contact with America went strictly through US companies and these were mostly failures. In the various efforts to break through the Dutch blockade of the Republic during the Revolutionary War, shipping companies like Isbrandtsen and the Overseas Corporation tried to smuggle goods to Singapore. Dutch authorities confiscated the Isbrandtsen ship while the Overseas Corporation got away with the money, costing the Republic some $ 500,000 worth of rubber and quinine. In 1947, Sumitro, who at the time was the Republican Trade Representatives, along with Minister of Prosperity A.K. Gani, met with Matthew Fox, a well-known American businessman and vice president of Universal Pictures, to create the Indonesian-American Corporation.[70] The contract, signed in Havana, Cuba, on 3 January 1949, allowed the corporation to be granted monopoly over rights of sales of some Indonesian commodities. This contract did not go through after the transfer of sovereignty. Homan indicated that as much as $ 550,000 might have been loaned to support the Indonesian delegation in New York.[71]

The American aid was institutionally realized through the Economic Cooperation Administration (ECA), an organization created to channel the Marshall Plan. In the early 50s, the plan was diverted to Asia as a result of the Korean War and the opening up of East Asia, including Southeast Asia, as an important military front against Communism. In June 1950, the

70 According to Peter Dale Scott, there was a possibility that Matthew Fox was a front man for the CIA. Peter Dale Scott,"Exporting Military-Economic Development", p. 213. This seems quite unlikely though, because the State Secretary was quite critical of its relationship with the Indonesian government.

71 Gerlof D. Homan, "American Business interests in the Indonesian Republic" in *Indonesia*, Vol. 35, April 1983, p. 125-132.

Director of the Far East Division of the ECA, R. Allen Griffin,[72] went on an Asian tour to recommend the scope and amount of aid for the countries/colonies of Southeast Asia, including Indo-China, Malaya, Burma, Thailand and Indonesia. Indonesia was to obtain the second largest amount of ECA help (after Indo-China) in the recommendation totaling fourteen and a half million dollars. Griffin also recommended that 63 technical experts be sent to Indonesia.[73] The amount that was finally given to Indonesia was 13 million dollars in October 1951, which came from the leftover of unspent ECA money on the Republic of China.[74] Aside from ECA aid, the US also provided 100 million dollars import credit from the Exim Bank in February 1950 and a 5 million dollar military grant pertained to the signing of the Japanese Peace Treaty at the San Francisco Conference in 1951[75] which had resulted in the fall of the Sukiman Cabinet.

Aside from technical help, the Americans were also eager to provide institutional links to foster the Indonesian military toward anti-Communism. On 3 October 1950, a US mission headed by Mr. John F. Melby and Major General Graves B. Ernskine, arrived in Indonesia with the task of persuading the Indonesian government to accept arms free-of-charge from the US in return for participation in an American military aid programme. The mission was received by the President on the occasion of the armed forces day on 5 October and both gentlemen held talks with Prime Minister Muhammad Natsir, Foreign Minister Mohammad Roem, Vice Premier Sultan Hamengkubuwono IX and the Chief of Staff of the Armed Forces General Simatupang. Indonesia obtained a 100 million dollar package of aid in goods.[76] The military aid programme would allow for a certain degree of US control in the organization and training of the armed forces, something

72 Griffin was an army intelligence veteran and later a trustee of the Asia Foundation, a CIA-funded organization. See Peter Dale Scott, "Exporting Military-Economic Development", p. 212.

73 National Archives of Australia or NAA, Canberra, series no. A.1838. Australian Embassy, Washington, 5 June 1950. Memorandum for the Secretary, Department of External Affairs, Canberra.

74 NAA, Canberra, series no. A.1838. Australian Embassy, Jakarta, Memorandum no. 63, 14 February 1951.

75 Usha Mahajani, *Soviet and American Aid to Indonesia. 1949-1968*, (Athens: Center for International Studies, 1970), p. 6.

76 J. Krol, "Internationale Hulp aan Indonesia" in *Cultureel Nieuws Indonesia*, No. 2, (August, 1951), p. 7.

that the government found hard to accept, even though it was felt that the military needed help in acquiring modern military hardware.[77]

Acceptance of a US military mission was politically impossible considering the degree of suspicion many of the leftist-leaning parliamentarians had of the US. At the same time, the Dutch under the Nederlandse Militaire Missie was carrying out a similar military assistance programme, which made the offer rather redundant. The failure of the Melby mission did not, however, affect non-military American aid. Griffin, on a mission to Asia, had discussed with the Australians the Colombo Plan mission and stressed that each aid programme should be carried out on an individual basis with each country, without the need to create a complex organization. On 6 August 1951, Dr. Samuel Perkins Hays was appointed as Chief of the ECA Special Technical and Economic Mission to Indonesia, replacing Shannon McCune.[78]

Lester Pearson, Canada's first ambassador to Indonesia called Indonesia "the first child of the United Nations." There was a belief amongst many in the West that left to its own devices, Indonesia would fail to develope and modernize itself.[79] In fact as Webster has quoted "[The] United Nations plays a much more important role here (in Jakarta) than in any other country in the area he had visited. Indonesia is desperately short of good Ministers and officials, but many of the United Nations people are good and they have had a long time there to acquaint themselves with local conditions. The result is that they pretty much decide what should be done in the fields in which they operate."[80] The strength of influence amongst these foreign experts probably contributed a lot to the contempt and displeasure that people like Roeslan Abdulgani and Sukarno expressed toward experts.

Initially, the foreign aid relationship was regulated by the Ministry of Trade and Industry with its Coordinating Bureau for Foreign Assistance[81], created on 29 December 1950 under the command of C. v.d. Straaten, Achmad Ali and J. Kramer. After the formation of the National Planning

77 NAA, A1838. Australian Embassy Jakarta, 12 October 1950.

78 NAA, A.1838. DMR, US economist named head of Indonesian mission, 25-6-1950.

79 David Webster, *Fire and the Full Moon. Canada and Indonesia in a decolonizing world,* (Vancouver: UBC Press, 2009), p. 79-80.

80 David Webster, *Fire and the Full Moon. Canada and Indonesia in a decolonizing world,* p. 83.

81 Biro Ko-ordinasi Bantuan Luar Negeri-BKBLN

Bureau, an Inter-Departmental Coordinating Committee[82] or Pakin was formed as a liaison agency for all the government bodies connected with foreign aid. Within the BPN, a section was created to handle foreign assistance, headed by the future economist Ir. Mohammad Sadli and Ir. Sie Kwat Soen. During the Guided Democracy, with the creation of the Depernas and the termination of BPN in 1959, foreign assistance was also transferred to the Financial and Economic Bureau of the Office of First Minister (Finek).[83]

As a result, throughout both the Parliamentary and Guided Democracy periods, foreign assistance relationships, at least the civilian ones, were handled by social-democrats or PSI-related individuals at both the BPN and the Finek bureau, which were both pro-Western and anti-Communist. These bureaus were sheltered within the confines of both BPN and Finek that were placed directly under the Office of the Prime Minister/First Minister. Aside from the head of Indonesia's policy making elite above, enthusiasm for foreign assistance was low amongst Indonesian officials. The government was reluctant to allow foreign experts to work at the middle or village levels. Two types of foreign personnel were sought: trainers, who would be given little authority, and experts, that would fill mid-range technical positions within the civil service.[84]

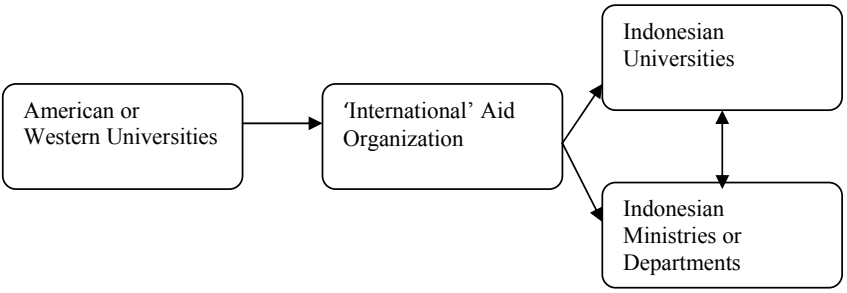
There were two forms of international relations. The first was through a direct contract signed by an expert with an aid agency and its respective national counterpart. For instance, much of the early aid to the National Planning Bureau was through this type of relationship, including the sending of economics experts to work on creating Indonesia's national plan with people like Benjamin Higgins and companies like the J.G. White Engineers. These relationships bypassed the universities, and the experts were contracted to work in a specific government unit, usually policy-

82 Panitia Koordinasi Interdepartemental-Pakin

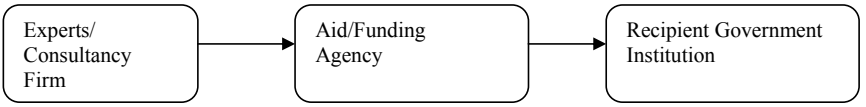
83 It was placed in FINEK (*Biro Ekonomi dan Keuangan*) in what was named the Office of Overseas Development (*Bagian Kerdjasama Luar Negeri*) similar to the Coordinating Bureau under the National Planning Bureau. All overseas cooperation must first be approved by the Foreign Affairs Ministry. "Laporan Bagian Kerdjasama Luar Negeri. Biro Ekonomi dan Keuangan, Sekretariat Negara," ANRI, Inv. No. 2358, Menteri Negara Ekonomi, Keuangan dan Industri.

84 "Foreign Technical Assistance in Economic Development in a Newly Independent Country. Some Observations in Indonesia" in *Economic and Cultural Change*, Vol. 1, No. 1, March, 1952, p. 78-79.

making bodies. The second relationship was called the university affiliation network. These relationships bypassed the structure of foreign recruitment developed by the Ministry of Public Service Employee[85] and the PUTABA office and were regulated within the National Planning Bureau which had a desk that controlled all international aid relationships. On a diagram, the two institutional matrices are presented below. The third diagram shows the regular route for the establishment of a new international aid relationship.

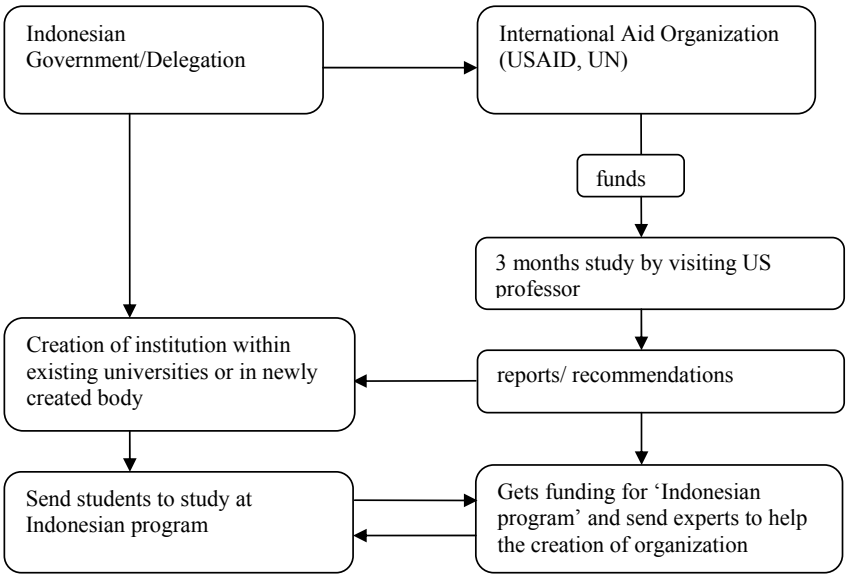


University Affiliation Network



Experts funded by aid agency network

85 Kementerian Urusan Kepegawaian


Indonesian Government/Delegation
International Aid Organization (USAID, UN)
funds
3 months study by visiting US professor
Creation of institution within existing universities or in newly created body
reports/ recommendations
Send students to study at Indonesian program
Gets funding for 'Indonesian program' and send experts to help the creation of organization

The international aid network in relation to US universities and aid agencies

The difference in comparison to the colonial model was the imperial nature of that relationship: only involving the mother country and the colony. This new institutional matrix was far more international in character and provided help for all newly independent nations, even though it skewed heavily towards the American. Another important feature was, of course, the voluntary nature of the relationship. Both parties were equal in their relationship and this required tact, since it was prone to cultural misunderstanding. It was similar to a colonial/imperial relationship only in relation to the flow of technical and ideological knowledge. The assumption was very clear: the Western experts were to provide Indonesia (and many other Third World countries) with the tools and operational know-how in order to leave behind their backward, traditional society and enter into a modernized and developmental state and society.

The period 1950-1965 was thus one of massive interaction and transfer between Third World and First and Second World countries. In Indonesia's case, the most significant was the relationship with both the American AID organization, the various UN organizations and the Ford Foundation. These investments put in place institutions within the landscape of the Indonesian

state and provided Indonesian the opportunity to study at various universities in the West, to 'correct' their mindset and prepare them to run the institutions once they arrived back in their home country.

Year	Experts	Trainees
1950/51	-	19
1952	64	44
1953	77	22
1954	69	23
1955	78	65
1956	95	54
1957	102	49
1958	100	47
1959	98	44
1960	83	36
1961	93	73
1962	102	118
Total	961	600

UN Assistance between 1950-1962 toward Indonesia, ANRI, inv, no. 2358, Menteri Negara Ekonomi, Keuangan dan Industri.

	Experts	Trainees
1950-1955	228	604
1956	112	339
1957	154	428
1958	160	365
1959	178	349
1960	171	318
1961	325	517
1962	510	394
1963	230	n.a.
1964 (April)	181	n.a.
Total (1950-1962)	2.049	3.314

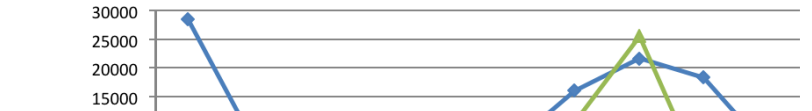
US-AID/ECA/ICA assistance, ANRI, inv, no. 2358, Menteri Negara Ekonomi, Keuangan dan Industri.

Year	Experts	Trainees
1950-1955	23	333
1956	37	414
1957	42	150
1958	47	104
1959	49	139
1960	60	121
1961	15	247
1962	29	216
1963	22	346
1964 (may)	9	91
Total	302	1.724

Colombo Plan assistance ANRI, inv, no. 2358, Menteri Negara Ekonomi, Keuangan dan Industri.

Countries	1961	1962	1963	1964
USSR	50	135	150	-
Yugoslavia	-	10	20	6
Poland	-	7	8	-
Czechoslovakia	-	30	30	2
East Germany	45	-	3	7
Romania	11	2	10	-
Hungary	-	5	11	-
Bulgaria	-	2	5	-
Total	106	191	237	12

Eastern European assistance in the form of scholarship for Indonesian trainees. ANRI, inv, no. 2358, Menteri Negara Ekonomi, Keuangan dan Industri.



	1950-1955	1956	1957	1958	1959	1960	1961	1962	1963	1964 (until May)
AID	28536	7495	7911	6051	6033	6500	16051	21624	18359	5686
UN	2834,4	849	984,8	1068,3	966,2	962	1138	2790	0	0
Colombo Plan	5695,5	4095,8	2828,4	1143,7	2281,7	1880,4	10341,4	25526,5	0	0

Aid per year by the American AID, UN and Colombo Plan. Chart in thousand dollars. ANRI, inv, no. 2358, Menteri Negara Ekonomi, Keuangan dan Industri. UN and Colombo numbers for 1963 and 1964 were not available.

The data sets above were obtained from documents of the Finek Bureau.[86] They show the number of experts sent to the country by different international agencies throughout the period. America came on top as the most visited country for Indonesian to obtain higher education or technical trainings. American Aid, meanwhile, consistently provided the biggest amount of aid money from Western nations throughout the period.

Yet, there were a variety of other nations that also gave a helping hand. Soviet overtures for aid had started relatively early in 1948. But as long as Indonesia was under the rule of the social democrats, exemplified by Prime Minister Hatta, Natsir and Wilopo, hostility toward the Soviet Union was strong. When the Wilopo cabinet fell in July 1953, Ali Sastroamidjojo's government, which depended on the support of the PKI, changed Indonesian attitude toward the Eastern Bloc. Trade and payment agreements were signed with China, Czechoslovakia, East Germany, Poland and the Soviet Union. In 1956, a large Soviet mission concluded a treaty with Indonesia, whereby a 100 million dollar long-term, low-interest loan was provided. It was used for road building and other various projects. Technical aid for the Five Year Plan was envisaged from the Soviet Union.[87]

86 FINEK bureau took the job of foreign relations after the disbandment of the BPN in light of the creation of the Depernas.

87 Usha Mahajani, *Soviet and American aid to Indonesia. 1949-1968*, p. 7-15.

The number of people sent to the Eastern Bloc, especially during the 1960s, was quite significant, with over 300 people sent to study in the Soviet Union at higher education institutions. Kruschev's visit to Jakarta in 1960 concluded a 700-800 million dollar aid, with a 250 million dollar military grant and followed by a 400 million dollar miliary grant in 1961 in relation to the struggle for West Papua.[88] By 1961, Indonesia had become one of the largest non-Communist recipients of Soviet military aid.[89] Over a billion dollars in military aid would be given to Indonesia throughout the Guided Democracy period, so that Indonesian aid amounted to a third of all aid to non-Communist countries by the Soviet Union. According to Guy Pauker, the rational reason for Soviet willingness to spend that much money on the Indonesian military was to bribe the military to support a Communist take-over of the country.[90]

Most of those sent to the Soviet Union went to study engineering and the technical know-how needed to run the various Soviet industrial aid programmes that were provided to Indonesia in the 1960s, including the 1962 Asian Games, the Cilegon Steel Plant, the Superphosphate project in Sumatra, the farming mechanization project and the projected oceanographic institute in Ambon. Over 100 Indonesian trainees were sent to study petroleum engineering as part of Indonesia's wished to reduce dependence on Western oil companies and 125 were sent to study at the Patrice Lumumba University in Moscow.[91] Conversely, 500 Soviet experts were sent to Indonesia to supervise the execution of Sukarno's grandiose projects.[92]

National Planning and Technical Assistance

Two important men figured throughout the 1950s in connection with the creation of the Indonesian development plan: the Rotterdam-graduate

88 Usha Mahajani, *Soviet and American aid to Indonesia,* p. 15-16.

89 A fifth of all Soviet aid to non-socialist countries went to Indonesia. Ragna Boden, "Cold War economics: Soviet aid to Indonesia" in *Journal of Cold War Studies*, vol. 10, no. 3, Summer 2008, p.116.

90 Guy Pauker, "General Nasution's mission to Moscow" in Asian Survey, Vol. 1, no. 1, 1961, p. 13-22.

91 ANRI, Jakarta, Menneg Ekuin, inv. nr. 2358.

92 For more on foreign aid numbers, see Donald Hindley, "Foreign Aid to Indonesia and its Political Implications" in *Pacific Affairs*, Vol. 36, no. 2, (Summer, 1963), p. 107-119.

economist, Sumitro Djojohadikusumo and the engineer Djuanda Kartawidjaja. Sumitro Djojohadikusumo, the son of a well-to-do aristocrat Margono Djojohadikusumo, was born on 29 May 1917 in Kebumen, Central Java.[93] After finishing high school at the Hogere Burger School, he went on to study economics at Rotterdam. He also spent one year at the Sorbonne in Paris where he befriended the noted photographer Henri Cartier-Bresson and Indian nationalist Jawaharlal Nehru and met with writer and statesman André Malraux. That meeting affected him so deeply that he tried to join the anti-fascist International Brigade to fight against General Franco of Spain. He finished his doctorate degree, under the Indologist Prof. Gonggrijp, in the middle of the war in 1943 with a dissertation on small-scale credit.[94]

Because connections between Indonesia and the Netherlands had all but ceased during the war, Sumitro had to wait it out in Rotterdam, working at the Rotterdam Hogeschool. After the war, Sumitro initially joined the Dutch delegation in the discussion between the Dutch and Indonesian governments as an advisor.[95] In 1945, Sumitro returned to Indonesia to edit *Berita Perekonomian*. He then became an assistant to the Ministry of Finance and to Prime Minister Sjahrir's office.[96] He became one of the Indonesian representatives to the Office of Permanent Observer to Indonesia at the UN Security Council, alongside Soedarpo Sastrosatomo, Soedjatmoko and N.L. Palar. Benjamin Higgins described him, exaggeratedly, "one of the most brilliant economists in all Asia."[97]

On 31 March 1950, the Indonesian ambassador to the United States and future premier, Ali Sastroamidjojo, gave a talk at a dinner in his honour in New York on the Indonesian plea for technical assistance for the creation of a better economy which, according to his mind "is fundamentally a social rather than an industrial reform which must begin with education

93 For more on his biography, consult Aristides Katoppo et.al., *Sumitro Djojohadikusumo. Jejak Perlawanan Begawan Pejuang*, (Jakarta: Pustaka Sinar Harapan, 2000).

94 Aristide Katoppo, et.al., *Sumitro Djojohadikusumo: Jejak Perlawanan Begawan Pejuang,* p. 1-15.

95 Sumitro Djojohadikusumo, "Recollections of My Career" in *Bulletin of Indonesian Economic Studies*, No. 22, Vol. 3, 1986, 27-39.

96 David Webster, *Fire and the Full Moon. Canada and Indonesia in a decolonizing world*, p. 78.

97 Benjamin Higgins and Jean Higgins, *Indonesia: the crisis of the millstone*, (Princeton: Van Nostrand, 1963), p. 81, NAA, A1838, United States of America – Relations with other countries – Pacific – Indonesia.

and technological assistance from all countries of the world which have the advantage of experience."[98] Later, in June 1951, Sumitro Djojohadikusumo, then advisor for the Minister of Economic Affairs, was undertaking his European-American tour to look for experts for the State Planning Bureau and the various banks in Jakarta. He had with him a list of 180 experts that were needed to formulate and carry out Indonesia's first national plan. Although vinitially Sumitro wanted to obtain Dutch expertise for at least six important positions for the Bureau, even citing the Dutch universities each of these should be graduates of, he failed to find anyone willing to leave for Indonesia.[99]

In the end, he found help from UNESCO in New York, which promised 12 financial-economic experts to be paid by the organization. The Planning Bureau was to be headed by an Indonesian, with the foreign experts serving as executive staff members and senior officers. The Bureau's position was not that of a 'super department', thus its coordinating capabilities with respective Ministers depended much on the tact and capability of its leadership to gain trust and respect with other ministerial members.[100] The UN's Technical Assistance Board approved Indonesia's request in a meeting on the 24-28 July 1951.[101] The Indonesian project was greeted with much approval from many within the UNTAA. Indonesia was "one of the most significant among those we have been privileged to assist in developing."[102]

National Planning Body – UNTAA Cooperation

The National Planning Body or *Badan Perantjang Negara* was one of the most important expert bodies. It was created in 1952 and placed under the Office of the Prime Minister. The BPN also contained the largest number of experts working on the Indonesian economy inside the country. Its control

98 NAA, A1838. Indonesia wants technical assistance, envoy says, 31-3-1950.

99 NA, The Hague, Hoge Commissariaat Indonesie, Internationale Technische Hulpverlening, 18 Juni 1951.

100 Sumitro Djojohadikusumo, *Bunga Rampai Ekonomi*, (Jakarta: Indira, n.a.), p. 259-261.

101 NA, The Hague, Hoge Commissariaat te Bandoeng, 1950-1957, Bureau voor Internationale Technische Hulp, Buitenlandse Deskundigen voor Indonesie, 25 September 1951.

102 David Webster, "Development advisor in time of cold war and decolonization: the United Nations Technical Assistance Administration" in *Journal of Global History*, Vol. 6, Issue 2, July, 2011, p. 260.

over foreign aid meant that the BPN also controlled the nation's expert production. The BPN was not only essential in the creating experts, it was also important in creating an *esprit de corps* amongst policy makers and economists. "The BPN is an effective and productive means to create cadres. The experts of the BPN are given the methods to act rationally and capably and also to always act in a nationalist manner to contribute for the state and the nation. These experts were then sent to a variety of government offices and state-owned companies. The emotional bonds that have been created amongst them are kept alive and contribute to aiding cooperation between the offices they lead, in accordance to the approach and problem solving methods they've learned during their stay at the BPN."[103]

Prior to the arrival of UNTAA experts, the government contracted the engineering consultant firm J.G. White Engineers in January 1951. Financed by the ECA, the contract was worth 700.000 dollars out of the 13 million dollar aid budgeted for 1951.[104] By mid-January 1951, the corporation's team of consultant arrived in Jakarta under the leadership of Mr. Henry Tarring. The J.G. White consultants worked behind the scene and their presence in Indonesia causing little press attention. This suited the Indonesian government, which was wary of being seen to be too dependent on foreign consultants.[105] Their presence, however, was met with irritation and suspicion amongst the Dutch consultants still working for the government, especially

103 Ali Budiardjo, "Abdi Negara dan Abdi Bangsa" in Awaloeddin Djamin (ed.*), Ir. H. Djuanda: negarawan, administrator, teknokrat utama*, (Jakarta: Kompas, 2001), p. 255. According to Koesoediarso Hadinoto: "Biro Perancang Negara benar-benar efektif dan produktif sebagai wadah dan sarana kaderisasi. Para tenaga ahli Biro Perancang Negara dibekali metode berfikir dan bertindak yang rasional dan andal, serta selalu berjiwa kebangsaan dengan itikad berbakti kepada negara dan bangsa. Kemudian para tenaga ahli itu disebarkan ke berbagai instansi Pemerintah serta Badan Usaha Milik Negara. Ikatan batin antara mereka terpelihara secara berlanjut, sehingga memperlancar kerjasama antara instansi-instansi yang mereka pimpin, berdasarkan metode pendekatan dan penyelesaian masalah yang dulu mereka pelajari bersama di Biro Perancang Negara."

104 NAA, A1838, Republik Indonesia Serikat – Foreign Aid to Indonesia. Australian Embassy Jakarta, Memorandum no. 63, 14 February 1951. The J.G. White Engineers were, however, quite successful in developing parts of the Taiwanese industry, including in the development of its plastic industry. Nan Wiegersma and Joseph E. Medley, *US economic development policies toward the Pacific Rim. Successes and Failures of US Aid*, p. 55.

105 The uproar over the presence of former Nazi Finance Minister Hjalmar Schacht who was invited by Sumitro Djojohadikusumo to conduct a three months study of the financial position of the country taught a good lesson in focusing on low-key deployment. Hjalmar Schacht, *Laporan Hjalmar Schacht*, (Jakarta: Kementerian Penerangan, 1951).

as they feared that long-established Dutch methods would be called into question and that they would function as a backdoor for American business enterprise to gain access to Indonesia.[106]

For the purpose of creating a national plan, the government considered the White Engineers less helpful. Their job to create a national plan for industrialization had been less than stellar. The firm's economist, Dr. Killough, had arrived in Indonesia only in June 1952. Working with an inter-ministerial coordinating committee was not suitable in industrial planning as it had little resource and organizational coordination with other departments. The National Planning Bureau had only come into existence in 1952. The White Engineers worked with the National Planning Bureau in reviewing budget requests, and recommended various cuts in the capital and maintenance budgets. Benjamin Higgins suggested that the Indonesian government renew the firm's contract with Colombo Plan finance because there was nothing to replace them. The firm was not only important as a consultant for the national plan, but also in providing consultation on efficiency: to recommend policies and procedures to overcome this deficiency.[107]

In June 1952, Professor Benjamin Higgins, who had earlier been working in Libya for the UNTEA (United Nations Temporary Executive Authority), was appointed UN adviser to the Indonesian government as a monetary and fiscal advisor to both the Ministry of Finance and Economic Affairs and the State Planning Bureau. Later in 1954-55, he came back to Indonesia as director of the MIT project on Indonesia within the Center for International Studies. In 1959 he left the MIT project to teach at the University of Texas and studied Latin America because he was frustrated at Southeast Asia's development at the time.[108] Higgins was one of the world's leading authorities on development economy. He had been a teacher of economics at the University of Melbourne since 1948 and had worked for the ILO during the war. The extent toward which Sumitro considered Higgins

106 NAA, Canberra, A1838, Republik Indonesia Serikat – Foreign Aid to Indonesia. Australian Embassy Jakarta, Memorandum no. 63, 14 February 1951.

107 ANRI, Jakarta, Departemen Keuangan 1950-1969, Inv. No. 294.

108 Benjamin Higgins, "Thought and Action: Indonesian economic studies and policies in the 1950s" in *Bulletin of Indonesian Economic Studies*, 26:1, April, 1990, p. 37-47.

advice as crucial was strengthened by the fact that Higgins office was right next door to Sumitro's.[109]

Although ECA funded much of the research in Indonesia during the period, the coterie of experts had an international character. The first UN technical mission to the BPN consisted of nine experts, four of whom were Canadians, including Benjamin Higgins and Nathan Keyfitz.[110] In fact, Higgins, as head of the UNTAA mission in Indonesia, hand-picked the entire team, which included American Edgar McVoy, a labour expert who would introduce Indonesia to the *Training Within Industry* labour management programme,[111] South African income expert Daniel Neumark, British industrial economist Peter Diebold, migration expert D.M. Deane and New Zealand education specialist, T.R. Smith.[112] Many of the UN technical assistance experts were civil servants who believed in Keynesian economics and Fabian social-democratic ideals. British Fabian values were cherished in PSI circle.[113] So there was considerable ideological affinity between men like Sumitro and Higgins.[114]

Higgins wielded his huge authority without much democratic oversight. Although Djuanda was the head of BPN,[115] it was Higgins who went abroad to seek international aid and it was he who reviewed these aid programmes. It was his decision to renew the J.G White Engineering contract, for

109 J.A.C. Mackie, "In memoriam: Professor Benjamin Higgins, 1912-2001" in *Bulletin of Indonesian Economic Studies*, Vol. 37, No. 2, 2001, p. 183-188. He also regularly saw Sjafruddin Prawiranegara, head of Bank Indonesia, and attend the weekly board meeting of the Bank of Indonesia. Benjamin Higgins, "Thoughts and Action: Indonesian Economic Studies and Policies in the 1950s," p. 37-47.

110 David Webster, *Fire and the Full Moon. Canada and Indonesia in a Decolonizing World*, p. 78-79. T.R Smith from New Zealand was to consult on management issues. ANRI, Jakarta, Kementerian Keuangan 1950-1969, Inv. No. 276.

111 He had previously introduced the TWI programme to Japan and Malaya. Alan G. Robinson and Jean M. Schroeder, "Training, continuous improvement and human relations: the US TWI program and the Japanese management style" in *California Management Review,* Vol. 35, No. 2,Winter 1993, p. 35-56.

112 ANRI, Jakarta, Kementerian Keuangan, Inv. No. 293, 294.

113 Herbert Feith, *The decline of constitutional democracy in Indonesia*, p. 130.

114 David Webster, *Fire and the Full Moon. Canada and Indonesia in a decolonizing world*, p. 80-81. "PSI policies were "remarkably similar" to those being developed by the national CCF in the same period." The CCF being the Co-Operative Commonwealth Federation of government in Saskatchewan, Canada, which relied on social-democratic planning.

115 ANRI, Kabinet Presiden Republik Indonesia 1950-1959, Inv. Nr. 1381.

instance.[116] He wrote that the Indonesian government accepted his advice with 'frightening willingness." In a Colombo Plan meeting, one observer wrote that people had mistaken him as head of the BPN, instead of Djuanda.[117] Such huge control by the technical assistance team saw Higgins praising the country. "In Sjafruddin and Sumitro, the country had a duumvirate on economic policy that few underdeveloped countries could match for competence and commitment to the national interest. The Wilopo cabinet was composed of extraordinarily able and honest men. In the Planning Bureau and its relationship to other government agencies abroad, the country had an effective instrument for development planning."[118]

In 1957, when Djuanda was appointed Prime Minister, the BPN went to his right hand man, Ali Budiardjo. Budiardjo was the secretary general of the Minister of Defence under Sultan Hamengkubuwono IX,[119] another technocratic figure, from 1950 till 1953. In May, Sumitro offered him the job as interim Director General of the BPN before Djuanda took the reins. Like many intellectuals, he was close to Sjahrir during the Japanese occupation. He obtained a masters degree at MIT's school of industrial management in 1962.[120] These two figures worked closely with one another until the dissolution of the BPN in 1959 and the transfer of Budiardjo into Djuanda's Financial and Economic (Finek) Bureau under the office of First Minister. He was seminal in helping the creation of the Depernas body. There was thus some form of continuity for the planning bureau during the transition into Guided Democracy within a relatively small bureaucratic body placed deep within the government.

With a highly fragmented government and little ability to coordinate amongst themselves, new institutions were created to take over the jobs that the Ministries were supposed to accomplish, all of which were to be placed under the control of Prime Minister's office. The universities were part of that

116 Memorandum from Benjamin Higgins to Minister of Finance Sumitro Djojohadikusumo about the renewal of J.G. White contract. ANRI, Jakarta, Departemen Keuangan 1950-1969, Inv. No. 294. The White Engineering Corporation was still working within the BPN in a file on the BPN dated January 1955. ANRI, Jakarta, Kabinet Presiden Republik Indonesia 1950-1959, Inv. Nr. 1381 and Departemen Keuangan 1950-1959, inv. Nr. 294.

117 David Webster, *Fire and the Full Moon. Canada and Indonesia in a decolonizing world*, p. 84.

118 Benjamin Higgins and Jean Higgins, *Indonesia: the Crisis of the Millstone*, (Princeton: Van Nostrand, 1963), p. 88.

119 I.O. Nanulaita, "Ir. Haji Djuanda Kartawidjaja," p. 110.

120 With a thesis entitled "Management education in Indonesia."

institutional framework. The Institute for Economic and Social Research at the Jakarta School of Economics, University of Indonesia fulfilled this role. The Institute along with the National Planning Bureau and the Department of Industry investigated the development of industry after independence in January 1954. A university-based institution was able to compile, interpret and appraise data in an independent and objective way.[121]

Fakultas Ekonomi-Universitas Indonesia (FEUI)

Perhaps no other higher-learning institution held such an important place in modern Indonesian history as that of the FEUI. The most important reason for this was the role of Sumitro Djojohadikusumo as institution builder par-excellence. He had built the faculty from the ground up, getting Dutch professors who were in Indonesia to teach even though many of them were not trained economists and taught 'old-fashioned' economics. Sumitro reformed and overhauled the economics curriculum of the country; the more legal-continental approach being taught by Dutch professors was replaced with a more Keynesian approach. Sumitro wanted to create a Jakarta School of Economics that would be at the leading edge of economics research. He wanted to introduce Developmental Economics that would have provided ideas in which the state, not the firm, would be the main analysis. According to Emil Salim, he was the one who introduced macroeconomics to Indonesia, away from the focus on the firm that many of the Dutch professors had specialized in.[122]

Sumitro's relationship to the Americans provided access for scholarship and research money from the West. In 1951, Sumitro signed an agreement with Everett Hawkins who was working at the ECA at the time. The ECA gave a four hundred thousand dollar grant to finance American economists to teach at the faculty. Although he was in contact with the Ford Foundation when it opened its office in Jakarta in 1952, he was only able to coax an agreement by 1956. His agreement with the Ford Foundation and the University of California-Berkeley allowed for the sending of some of the brightest economics students of Indonesia to continue their study in the

121 Sumitro Djojohadikusumo, *The Government's Program on Industries*, (Jakarta: LPEM, 1954), p. 1-2.

122 Goenawan Moehammad, *Celebrating Indonesia. Fifty years with the Ford Foundation. 1953-2003*, (Jakarta: Ford Foundation, 2003), p. 48-60.

US. Twenty students were sent to various universities in the United States in several batches.[123] This of course allowed for the rise of the notorious Berkeley Mafia, headed by Sumitro's ablest student and main technocrat of the New Order, Widjojo Nitisastro.[124]

Sumitro was also central to the creation of the Institute of Economic and Social Research (LPEM),[125] which was funded by the Ford Foundation and became a center for research and a place where young social scientists were able to obtain practical experience through internships in the BPN. In 1955, Sumitro founded the Association of Indonesian Economists (ISEI),[126] which became a professional organization.[127] Through the formation of such institutions and through the linkages it had with American funding organizations, the class of experts, or in Higgins' words, a community of scholars, could be created that would have both an esprit de corps and a similar ideological approach to the main questions plaguing the nation.

The shift in education was also a shift in the way of thought of the nation. The Ford Foundation thus placed English education as a central component of its aid.[128] What had to be changed was not merely language, but how that language conveyed a different set of assumptions on the perception of reality. The 1950s thus not only saw a shift from Dutch toward English, but also a shift in the sound bites that peppered elite speech. A look into the newspapers of the decade showed an increasing use of such words as efficiency, national planning, management and other English words. It was a significant cultural change that such expansion of American education, books and other materials had provided. Changes in culture were wrought through magazines and other forms of cultural mediums, which heralded what Vickers called 'living in the atomic age.'[129]

123 *Ibid*.

124 Among them Widjojo Nitisastro. Others include Ali Wardhana, Soebroto, Daoed Joesoef, J.B. Soemarlin, Emil Salim, J.E. Ismael, Dorodjatun Kuntjoro-Jakti and many others.

125 Lembaga Penelitian Ekonomi dan Masjarakat

126 Ikatan Sardjana Ekonomi Indonesia

127 Goenawan Moehammad, *Celebrating Indonesia. Fifty years with the Ford Foundation. 1953-2003*, (Jakarta: Ford Foundation, 2003), p. 46-47.

128 John Bresnan, *At Home Abroad*, p. 34.

129 Adrian Vickers, *A History of Modern Indonesia*, (Cambridge: Cambridge University Press, 2005), p. 126-133.

The Research Institute for the Economy and Society started an industrialization plan in cooperation with the State Planning Bureau and the Industrial Section of the Ministry of Economic Affairs. The research team was led by the then young lector Mohammad Sadli and conducted various interviews with government leaders and quantitative calculations in many regions of the Republic.[130] It also included Widjojo Nitisastro and Emil Salim who was sent to interview governors in order to understand regional plans outside Java.[131] This was part of the effort to reduce the claim by some that economic development was too Java-centric.[132] Sumitro had placed many of his best students within the BPN. In 1955, several economic students were recruited as planning staff. According to Bintoro Tjokroamidjojo, this was the first time they'd had training as technocrats, using the technological tools of public policy.[133]

Ford Foundation-MIT-CENIS

The first Ford Foundation delegation visited Indonesia on July 7 1952. They stayed from August 12 to September 11 1952 and visited Jakarta, Bandung, Yogyakarta and Surabaya. The report of the visit outlined the importance the foundation saw in Indonesia: "Because of the speed with which Indonesia has advanced from colonial to sovereign status, because of the complex and difficult problems it faces with few resources in trained personnel, and because its ability to transform itself into a modern state without becoming a totalitarian regime or falling into anarchy is important to all of the free world, Indonesia is today a country of unique significance."[134] The report concluded that Indonesia needed trained personnel, as there were more "economists in Washington working on Indonesian problem than there are

130 Hendra Esmara and Heru Cahyono, *Sumitro Djojohadikusumo. Jejak perlawangan Begawan pejuang*, (Jakarta: Sinar Harapan, 2000), p. 157.

131 I.O. Nanulaita, "Ir. Haji Djuanda Kartawidjaja," *Pahlawan nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, administrator dan teknokrat utama*, (Jakarta: Kompas, 2001), p. 111.

132 Ali Budiardjo, "Abdi negara dan abdi bangsa" in Awaloeddin Djamin (ed.), *Pahlawan nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, administrator dan teknokrat utama*, (Jakarta: Kompas, 2001), p. 250-251.

133 Bintoro Tjokroamidjojo, "Negarawan, administrator dan teknokrat utama" in Awaloeddin Djamin (ed.), *Pahlawan nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, administrator danteknokratutama*, (Jakarta: Kompas, 2001), p. 270.

134 Quoted in John Bresnan, *At Home Abroad*, p. 27.

in all Indonesia." Sukarno had impressed Brown and Arnold immensely and they were able to confirm the approval of a 150 thousand dollar grant to send American English teachers to Indonesia in 1953-1954. They also recommended help to train vocational teachers and help establish an Institute for Public Administration.[135]

They also stressed the need for greater knowledge of the country. In 1951, the Foundation provided a grant to Stanford University to investigate the state of Asian studies in the US, and in 1952 granted 83 fellowships to study Asia and the Middle East. In 1953 it gave a 125 thousand dollar research grant to the MIT to study economic development in Indonesia, India and Italy. This was part of a larger research initiative at the MIT Center for International Study, which included research into Communist societies by Walt Rostow and the formation of public opinion in France headed by Daniel Lerner.[136] The Indonesia Program was the result of a three-week discussion between the director of the center, the director of the project, various Indonesian officials in the government and in Universitas Indonesia. The focus of research was on financing economic development, patterns of trade, technological aspects of economic development, management and administrative techniques and quantitative studies.[137]

The programme also researched a wider variety of topics related to economic growth in Indonesia, divided into six sets of studies: quantitative and qualitative description of the economy, economic role and impact of the government, private entrepreneurship, labour supply, agricultural progress and the political aspects of development. These studies were meant to provide a precision instrument in order to understand the underlying problems of the economy "providing the analytical knowledge which must precede the use of the surgeon's corrective knife."[138]

Its focus on government administration and labour supply allowed a more expansive political change as part of the recommendation of the study. Studies

135 John Bresnan, *At Home Abroad,* p. 31-33.

136 Benjamin Higgins, "The Indonesia Project of the Massachusetts Institute of Technology-Center for International Studies" in *Ekonomi dan Keuangan Indonesia*, year III, 1955, p. 151-154.

137 Benjamin Higgins, "The Indonesia Project of the Massachusetts Institute of Technology-Center for International Studies," p. 155-157.

138 Douglas Paauw and William C. Hollinger, "Research Plan for Indonesian Economic Development", Indonesia Project Plans 1, February 18, 1953.

with Universitas Gadjah Mada painted a picture of a passive Indonesian society, waiting for government intervention. "The government is regarded as the accepted agent for introducing new techniques of production and exchange, and the population is quite willing to accept changes in economic institutions so long as they do not greatly alter the existing social and cultural patterns."[139] Preliminary study pointed to the need of the government to change its outdated fiscal structure and to actively provide 'external economies' to support economic growth by supporting the private sector.

The project supported the shift to a welfare state system of government, in which the state would provide infrastructural development such as transportation infrastructure, education and social welfare programmes in order to create a ready labour force for the coming industrialization. A study of the tax base, government efficiency in utilizing such tax base, economic impact of taxation, patterns of government expenditures and the relationship between government's capacity for developmental investment and government borrowing and structures, were important studies to be conducted to understand the relationship between the government and economic development. A history of trade union movements and its relationship with economic development, the political structure of the country and its relationship with foreign aid and other forms of social science research all provided a multidisciplinary approach to tackling the problems related to promoting economic development. Lack of skilled entrepreneurial talent amongst the indigenous population required a case study on the more successful Indonesian entrepreneurial group, the Dasaad Musin concern.[140]

Also included in this was the study of Javanese village life and culture in relation to development. A multidisciplinary team of social scientists, economists, political scientists, sociologists and anthropologists descended on Indonesia and especially its small towns and villages. They were to provide economic, political, social, administrative, cultural and psychological answers as to the problem regarding Indonesia's transition to modernity and its ability to achieve sustainable economic growth. The assumptions made about Indonesian society-passivity, lack of entrepreneurial acumen and interests and their inherently conservative position-pointed to the need for an

139 Douglas Paauw and William C. Hollinger, "Research Plan for Indonesian Economic Development", Indonesia Project Plans 1, February 18, 1953.

140 *Ibid*.

interventionist state. Changes through the provision of social infrastructures were meant to turn the Indonesians into an industrial labour force.

The International Training and Research funded Max Millikan, head of the Center for International Studies at MIT, to send people like Douglas Paauw to study fiscal structure, Benjamin Higgins for national income and Guy Pauker to study the political environment, among others. Guy Pauker would be influential later during the 1960s, helping to strengthen the relationship between new generation economists and the military officers within the Seskoad.[141] Benjamin Higgins, head of the MIT's Indonesian Project, questioned the professional quality of the researches being done,[142] signaling his dissatisfaction with the programme. Unlike the UNTAA programme, their relations and attachment within the National Planning Bureau was unsuccessful. The MIT project was the result of cooperation amongst social scientists stationed both in Harvard and MIT, studying various problems of the post-war world, from the problems of communication, to Communism and economic development. In 1954, the programme submitted a research proposal to the Ford Foundation, with 40 separate studies half of which had already been ongoing. It operated under an informal agreement with the National Planning Bureau.[143]

Benjamin Higgins was struck by how his work with the MIT project was practically the same as when he was an official advisor to the government under the UNTAA. His workload included drafting foreign investment law, designing the multiple exchange rate and advance payment system, simplifying the regulations of the petroleum industry to reduce government take from 70% to 50%, improving the tax system and making it more enforceable and analyzing the potential of smallholder agriculture. In no other time in Indonesian history have so many foreign experts had such a large authority within the Indonesian government. Not only were they researching, designing institutions and developing new systems, they were also actively producing Indonesia's next wave of economists and social scientists. This unprecedented institutionalized relationship is important to

141 He was one of the supporter for the army as positive reform and provider of leadership. Guy Pauker, *The Role of the Military in Indonesia*, (Santa Monica: Rand Corporation, 1960), p. 59-65.

142 John Bresnan, *At Home Abroad,* p. 76.

143 Benjamin Higgins, "The Indonesian Project of the Massachusetts Institute of Technology – Center for International Studies", p. 152-159.

understand how Indonesian intellectuals survived the Guided Democracy period. Discussion about economic policy was conducted within what was called Sumitro's kitchen cabinet, in the Board of Directors of the Bank of Indonesia, in the BPN and its working group, at the Harmonie Club and in the journal *Keuangan dan Ekonomi Indonesia*.

In 1956, in cooperation with Sumitro, the foundation started shipping American economists, mostly from the University of California at Berkeley, to take over the positions left by the departing Dutch professors. A new post-graduate economics programme had begun and Indonesian faculty members had the opportunity to get a PhD degree in economics in prestigious universities in the US. The first lot included Widjojo Nitisastro and Moehammad Sadli. A second group included economist Emil Salim. By 1962, the Ford Foundation through Berkeley University had trained some 40 economists to take over the project. Between 1953 and 1965, the Ford Foundation had funneled 15 million dollars' worth of aid to Indonesia, practically all in the form of education. Around 400 Indonesians had been given fellowships to study abroad; most of them part of a long-term plan to build a national system of teacher's colleges, focusing on English, science and mathematics.[144] Many these American-trained economists would take part in the courses run for higher echelon military personnel at the Military Academy (*Seskoad*) in Bandung as part of the *Leknas-Seskoad* cooperation agreement. It was on these courses that Suharto met with many of the economist who would craft for him the economic policy of the New Order.

The 1956-1960 National Plan and Guided Democracy

The National Plan was finally written in 1956 but only ratified by the Parliament in 1959. Later during transition to the Guided Democracy, Benjamin Higgins's idea of the Big Push was central; "big mainly in the ratio of savings and investments to national income",[145] calculating the incremental capital to output ratio to determine the rate of efficiency of investment both from foreign investment and domestic savings. Although Higgins contributed

144 John Bresnan, *At Home Abroad,* p. 66.

145 Benjamin Higgins and Jean Higgins, *Indonesia: the crisis of the millstones*, (Princeton: Van Nostrand, 1963), p. 71.

to the writing of the plan, he had not have the final say. In any case, he was quite critical of it and thought it too weak to result in real growth.

Several basic statistics and numbers were not available in the plan. Although the BPN employed a population specialist, the population growth assumption of 1.7% was considerably on the low side. The Incremental Capital Output Ratio, put at two to one, was also considered too low, especially considering the severe lack of infrastructure in the Outer Islands. The targets were too modest and evinced compromises with the political elites. Take-off growth was assumed to happen at 12-15 billion rupiah investment per year, yet the plan targeted 6 billion in the first five years and only with the fourth five-year plan would a number be reached which would support take off growth. No austerity measures on consumption were taken to reallocate capital toward the productive sector; in fact only 40% of the increase on per capita would be reinvested, the rest would go to consumption. The plan also assumed private and foreign investment to supply 60% of capital needs, yet the necessary reform measures for investment incentives in such things as land policy, squatter policy, tax and monetary policy were not carried out, although a foreign investment, mineral and oil bill was passed.[146]

When the plan was ratified by Parliament, the time period of the First Five Year Plan was almost up. Significant changes in the economic and political aspects of the country had made it already rather redundant. Inflation had spiked as a result of massive deficit spending when the country lurched into Civil War and Sumitro, along with colleagues from PSI and Masjumi joined the PRRI rebellion in Sumatra. The National Planning Board (*Dewan Perantjang Nasional* or *Depernas*) replaced the State Planning Bureau and this new planning agency focused on a broader front in line with Guided Democracy's revolutionary intention, producing an eight-year national plan that was written by non-economists and heavily criticized for being unrealistic. Military costs for the war were paid for by deficit spending. The limited and small professional managerial corps of the nation had to undergo both expansions as new recruits were incorporated, mostly from the military, and educated as speedily as possible as a result of the Indonesianization of Dutch enterprises. This would have been another additional problem to the already rather modest plans.

146 Benjamin Higgins, "Introduction" in Douglas Paauw, *Financing Development. The Indonesian Case*. (Glencoe: the Free Press, 1959), p. 15-28.

Yet, social scientists like Benjamin Higgins were quite upbeat about the early Guided Democracy period. Prime Minister Djuanda was seen to be a sensible, technocratic choice, which augured well for sober, less grandiose and more rational planning with a better understanding of Indonesia's weaknesses. Sumitro's earlier industrial plans were all very much impacted by the severe lack of administrative and entrepreneurial capability of Indonesian state and society. It was thought that this aggravating aspect had been made clear to the remaining policy makers. Higgins pointed out several changes in the way Indonesian leaders saw the situation. The relationship between political stability and economic growth was now much clearer; before implementing redistribution, it was necessary to increase the size of the economy. Higgins thought that Communist involvement was discredited due to its role in the *Indonesianization* debacle and lastly he thought that cultural ideas of village consensus had also been discredited with the effort to push ahead national policies.[147] This upbeat view of the Guided Democracy was shared by many in the modernist camp in the Kennedy Administration of the United States.[148] There was a deep underlying current that rational Indonesian technocracy was just under the radar, struggling to get out and take over national leadership. As a corporatist experiment, Guided Democracy was seen with hopeful eyes by modernist social scientists and policy makers.

Foreign Experts and Indonesian Authority

American aid was a rather sensitive subject in Indonesia. Although the country throughout the early 1950s was better predisposed toward the Western bloc "…most Indonesians feel that their country lies much more exposed to the economic and military power of the United States and associated countries than it does to Soviet Russia or China."[149] The roots of this elite ambivalence toward the US was directly the result of the perceived notion that the US had backed the Netherlands during the Revolutionary Period and that later on it had approved Dutch control of West Papua and given clandestine support for the rebels, after the outbreak of war in 1958

147 Benjamin Higgins, "Introduction" in Douglas Paauw, *Financing Development. The Indonesian Case*, p. 46.

148 Frederick Philip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 85-90.

149 D.S. Suraputra, "The role of American and Soviet aid to Indonesia," MA thesis Institute of Social Science, The Hague, 1967, p. 5.

in Sumatra, West Java and South Celebes. This view of America affected the way Indonesia interacted with the US throughout the period.[150]

The extent to which foreign experts gained authority in determining an Indonesian national policy during the Parliamentary Democracy period was significant-in fact, the most significant in the post-colonial history of Indonesia. Some of it rested within the office of the BPN and the persons of Sumitro Djojohadikusumo and Benjamin Higgins. Others were part of a panoply of specific projects for the development of certain parts of the Indonesian expert production, like Edward Litchfeld and Alan C. Rankin or the Kentucky Team in the Agricultural Institute in Bogor. Within the BPN were PSI-supporters, Indonesia's most important intellectual group whose belief in Fabian social democracy represented an authoritative but inherently weak elite. The Five Year Plan, with its focus on a Big Push dependent on foreign investment, was politically unacceptable. Sukarno's Guided Democracy starting from 1957 was a *coup d'état* against this weak authority. Parliamentary democracy and the political party system oftentimes were considered the primary culprit for Sukarno's Guided Democracy policy, yet his main target was the PSI and their Masjumi political supporters, by extension, the main intellectual expert of the country.

By 1958, a large section of the intellectual expert, including Sumitro himself, but also Sjafruddin Prawiranegara and several others, defected to the PRRI rebellion. Asked by Kennedy whether Indonesia's intellectuals backed Sukarno's government, Soebandrio, who had accompanied the President's 1961 trip to the US and around the world, had answered, "the Indonesian intellectuals are a reactionary group. They cannot be asked to participate in the revolution."[151] When Soedjatmoko, a leading intellectual and friend of Soebandrio asked why, his answer was that Sukarno deeply resented intellectuals. From within the intellectual circles, the first shock came from the result of the 1955 election, in which the PSI, the intellectual party par-excellence, garnered a measly 5 percent of the vote. Four parties came out of the election a major player in Indonesian politics: the nationalist Sukarnoist

150 Daniel Novotny, *Torn between America and China. Elite perception and Indonesian foreign policy*, (Singapore: Institute of South East Asian Studies, 2010), p. 105-107.

151 Rosihan Anwar, *Sukarno, Tentara, PKI. Segitiga kekuasaan sebelum prahara politik. 1961-1965*, (Jakarta: Obor Indonesia, 2001), p. 46.

PNI, the modernist Muslim Masyumi, the traditional Muslim NU and the Communist PKI.[152]

Despite being politically weak, those surrounding the BPN, composed of Indonesian and foreign American, Canadian and Australian experts, formed what Benjamin Higgins called a 'community of scholars.' These included economists like Higgins, Douglas Paauw and William Hollinger, political scientists like Guy Pauker, Jean Mintz and Ruth McVey, anthropologists like Clifford Geertz and the members of his Field Team, which included Alex Dewey, Donald Fagg, Hildred Geertz, Edward Ryan and Robert Jay.[153] The 'community of scholars' also transcended their geographic boundaries and connected places like the BPN, FEUI, the Boston-Cambridge area, Wisconsin, Ithaca, and Windsor and Montreal in Canada.

These geographical points, headquarters of universities, were the expression par excellence of the institutionalized technical aid world, functioning as provider of experts and legitimizers of its own brand of modernization theory. Within the MIT center, these experts included sociologist Daniel Lerner, whose work on the passing of traditional society was a significant tome on Anglo-Saxon modernism.[154] Economists such as Paul Samuelson, Evsey Domar and Robert Solow, whose work on the Solow-Domar growth equation, earned them Nobel prizes later on. George Kahin at Cornell, Everett Hawkins, Hans Schmidt and Ted Morgan in Wisconsin, Bruce Glassburner in California and scholars from McGill and the University of British Columbia represented an array of very distinguished names in social sciences working to decipher Indonesian modernity. Especially important was the group called the *Charles River* (Boston-Cambridge area) with their access to President Kennedy's policy-making decisions. Walt W. Rostow recalled the situation: "Kennedy sought out and found in CENIS a group whose ardent commitment was to enlarged development aid rather than to party or political personality. He understood this clearly and used us well."[155]

152 Herbert Feith, *The Decline of Constitutional Democracy*, p. 424-440.

153 J.A.C. Mackie, "In memoriam: Professor Benjamin Higgins, 1912-2001", p. 183-188.

154 Daniel Lerner, *The passing of traditional society: modernizing the Middle East*, (Glencoe: The Free Press, 1958).

155 Jeffrey F. Taffet, *Foreign aid as foreign policy. The Alliance for Progress in Latin America*, (London: Routledge, 2007), p. 20.

Rostow along with Max Millikan became what Nils Gilman called Kennedy's mandarin of modernity.[156]

An expansion of intellectual interest on Indonesia occured. The production of books on Indonesia gradually replaced the Dutch works when the shift from Dutch experts and advisors to American ones occurred around 1957.[157] More importantly, these social scientists were, as Higgins admitted, clueless about economic development, and tried to figure out a system that was most suitable to the Indonesian condition. Albert O'Hirschman, another technical expert and modernization theorist said "I went to Colombia in 1952 without any prior knowledge of … development… (I later) discovered I had acquired a point of view of my own that was considerably at odds with current doctrines."[158] Knowledge production was thus a confluence of the anti-Communist ideology of American modernization and the harsh realities of localized context. Benjamin Higgins said that practically all the Indonesian experts agreed that a government role was essential for Indonesian industrialization. Without a capitalist class, there was agreement for government-led development even by the more ardent free market economists among the foreign experts.[159]

In terms of government role, there was no doubt in anyone who had been to Indonesia that a government-led economic plan was the only way in which Indonesia could move forward.[160] This was considerably different from the state planning of the Soviet Union or Communist China, but it was also very different from the freewheeling capitalism of yesteryear. Yet for all the state-led ideas that had been discussed during the period, the question of the Indonesian state as a Parliamentary Democracy was never disputed.

156 Nils Gilman, *Mandarins of the Future. Modernization theory in Cold War America*, p. 115-202.

157 The Dutch had a long tradition of planning in Indonesia, especially on social programs. But this differed from the large and intricate periodical developmental plans that became the economic policy of the New Order. Yet, some of these Dutch projects continued after independence. See Leonard Blussé (et.al.), *India and Indonesia from the 1920s to the 1950s: Origins of Planning*, (Leiden: E.J. Brill, 1987).

158 Kirk S. Bouman, *Military, Democracy and Development*, *The perils of praetorianism in South America*, (University Park: Pennsylvania State University Press, 2002) p. ix.

159 Benjamin Higgins and Jean Higgins, *Indonesia: the Crisis of the Millstones*, p. 71-77.

160 This does not mean that state-led economic centralization was the only opinion available. Experts discussed about the possibility for decentralized economic development. For instance, Douglas Paauw, "The Case for Decentralized Financing of Economic Development in Indonesia" in *The Far Eastern Quarterly*, Vol. 15, no. 1, November 1955, p. 77-95.

It was assumed that the political problems and its instability was something that was negatively affecting the capability of the state, resulting in what Gunnar Myrdal called a soft state,[161] but there never seems to have been any discussion on a change in the political landscape of Indonesia. It would have been obviously impudent for foreign experts to suggest something that was definitely outside their authority, but even in discussion with Indonesian economists like Sumitro Djojohadikusumo or Sjafruddin Prawiranegara no one seems to have brought up the idea of changing the political system.

Awareness that the military were coming out as a major proponent for both political stability and economic development grew only gradually and not obviously. Political scientists like Guy Pauker would gradually realize the potential of military men and thought of them as the most promising and rational amongst the Indonesian elite, but this would not come about until the late 1950s. On the other hand, when Sukarno started his campaign to bury the party and initiate a major change in the state-society relations of the country, Sumitro, Sjafruddin, Mohammad Natsir and many of the more technocratic-minded elite of Indonesia rebelled against the central government and created a separate revolutionary state in Sumatra. There was no indication that the PRRI was envisioning a military-dominated state that would have to restructure Indonesian society within a state directed relationship. In fact, it seems to have been the case that the intellectual experts of PRRI still held to a belief in the efficacy of the parliamentary model of the social democrats. It was this discrepancy between the old intellectuals of the 1950s and the new intellectuals who started to emerge by the late 1950s that was to be one of the more significant facts of the period.

At the international level, the 1950s was a rather naïve decade. President Eisenhower's policy on aid contained no specific strategy other than to support economic and social development. It was hoped that such assistance would push economic growth and thus reduce the temptation to Communism in much of the developing world. By the end of the 1950s, the world saw a series of development, which toppled democracies in many developing nations. Parliamentary democracy was being discredited on an international scale and American response to it was to shift its own aid strategy. Instead of development perse, the Kennedy era approach to aid was to connect it

161 Gunnar Myrdal, *The Asian Drama. An Inquiry into the Poverty of Nations*, (Middlesex: Penguin Books, 1968), p. 891-900.

intimately with the war on Communism, thus to refocus the aid toward the military and to revamp social science in order to support this notion. The Kennedy Doctrine and the creation of the Alliance for Progress shifted the aid toward a political goal. The focus was not merely on development, but on population control. Of course, the idea of social development has always been central to the idea of modernization.

Through education and community development, an increase in the capacity of the individual would go a long way to help ease the transformation from traditional society toward a modern, industrial one. But no discussion of the 1950s had talked about the kinds of pervasive and invasive action that was to be conducted by the Guided Democracy state, nor did anyone talk about the role of the military in this regard. This idea of control was what was missing within the discourse of the 1950s experts. It was to be the main idea developed during the Guided Democracy period by both the proponents and its intellectual opponents whose 'chameleon-like' hypocrisy, to use a phrase made by the journalist, Mochtar Lubis, against the second generation economists, allowed them both to cultivate a new relationship of power within a new notion of population control and development. This inherently anti-democratic idea became the basis of modern Indonesian society and its state-society relationship for a long time to come.

Conclusions

Americanization of various aspects of Indonesian elite production was met with resistance in many forms. Inertia of the bureaucracy pushed for the continuation of 'Dutch' ways of doing business and, in fact, continued to do so as a result of the sheer limitation of American impact on the large Indonesian bureaucracy. At the regional and local level, there was little American presence, the change occurred at the central institutions; the major universities and schools created through expert recommendations and at national planning institutions. As a result, it was a flimsy affair, the changes occurring within small, almost separated institutions whose effects on the vertical level was generally unknown, but considered to be very much limited. Yet, these developments paved the way for Guided Democracy's institutional experiment. The next two chapters discuss the Guided Democracy state and the implementation of the various ideas that shaped it. This included

the corporatist ideas whose roots stemmed from the colonial and Japanese period, as succinctly expressed in the 1945 Constitution, and the various developments that occurred during this period. That development was important, for it cemented models of state-society relations that would continue throughout the second half of the twentieth century.

CHAPTER IV

Scientific Administration and the Question of Efficiency

Like national planning, scientific administration was new, in the sense that although colonial antecedents existed, the incorporation of American ideas provided new ways of dealing with state-society relations. And like national planning, scientific management was part of the international aid structure provided by the US to newly independent states across the world, as other states, emerging from centuries of dependence on an empire would also find it less of an efficacious medicine that what it was once thought to be.

In its incarnation within Indonesia, the ideas of efficiency would be implemented at a wide range of levels across the state and its economy. The rise of administration science would result in the formation of a series of institutions within the universities and specialized learning institutions created to provide education and research and to develop a specifically Indonesian-type of public administration. Within the Indonesian economy there were two major drives of the 1950s. The first was the development of the business administration science that was to provide the managerial manpower needs of the business offices. Both public and business management were two sides of the same coin. Despite the similarity, both developed separately in Indonesia within differing institutional environments. Public administration science developed within the halls of social and political science. Business administration was developed as part of the economics faculty.

The development of scientific management deeply affected the decolonization process. First, it entailed Americanization that provided the means to leave behind Dutch, i.e. liberal, ways of doing things. Second, and related to this, was the relationship between managerial science and the legitimacy of Guided Democracy. It would not be too wrong to say that the idea of efficiency helped to end Parliamentary Democracy.

Development of Management

Public administration developed from the confines of political science while scientific management developed from that of engineering. Both were predicated on the idea of producing professional, white-collar administrative experts for the government office and the factory floor. The administrative experts were seen as the panacea for the creation of efficiency and efficiency was central to the most important goal of the twentieth century state: development. "The primary obstacle to development is administrative rather than economic... Countries generally lack the administrative capability for implementing plans and programmes. Countries share in common most of the same administrative problems and obstacles."[1] Although modern business management had developed rapidly before the Second World War, the science of what came to be known as public administration was still at a gestation period. It had been one of the primary exports of American scientific achievement to be channelled through the Marshall Plan and the various American aid programmes.

In 1955 Americans started exporting the nascent science throughout the world. It was a science still under development, "… defining the subject was less an issue than doing it, studying it and exporting it, *whatever it might be*."[2] From 1955 to 1963 American aid for Public Administration had reached 187 million dollars and from 1952 to 1963 around 6.000 persons from all over the world were sent to the US for training courtesy of the ICA. The UN, Ford Foundation and the US government helped to establish some 70 public administration-training institutions in various developing countries.[3]

1 Donald C. Stone, "Government Machinery necessary for Development" quoted in William J. Siffin, "Two Decades of Public Administration in Developing Countries" in *Public Administration Review*, Vol. 36, No. 1, (January/February, 1976), p. 62.

2 William J. Siffin, "Two Decades of Public Administration in Developing Countries", p. 61.

3 William J. Siffin, "Two Decades of Public Administration in Developing Countries", p. 66.

In East Asia, the interest in promoting public administration was evinced early on. During the Economic Survey Mission to Southeast Asia (the Griffin Mission) in 1950, the report had concluded that there was a need to support public administration for Indonesia. Formal recognition of this came with the Bell Mission to the Philippines.[4] US economic assistance to the region from 1948-1967 was 7.6 billion dollars. Technical Cooperation amounted to 522.2 million dollars or roughly 7.3 percent of the total. Of those, only 33.7 million dollars or half a percent went on public administration. In Indonesia, that amounted to 6.1 million dollars. Together with Thailand, Korea and the Philippines, they represented 88% of the total aid on public administration to East Asia.[5]

From 1952 through 1965, the ECA sent 502 Indonesian participant trainees to the US for studies in Public Administration. The ECA would help establish a series of public administration organizations such as the Public Service Centre (*Balai Pelatihan Administrasi*) at Gadjah Mada University, the Local Government Training Academy (*Akademi Pemerintahan Dalam Negeri*) and the National Institute of Administration (*Lembaga Administrasi Negara*). In the period 1957-1965, AID had seven projects in public administration-four on training and three others on fiscal management, central government administration, and local government.[6] Comparatively speaking, the United States had little interest to promote it in East Asia in contrast to the situation in Latin America. The United States would help create 12 public administration institutions in East Asia, 10 of which were assisted with direct university contracts. These involved the University of Michigan in the Philippines, Japan and Taiwan, Indiana University in Thailand and Indonesia and the University of Minnesota and Washington State University in South Vietnam.[7]

4 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, (New York: The East Asia Society, 1968), p. 2.

5 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, p. 4.

6 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, p. 13.

7 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia*, p. 4-6.

Problems of Efficiency

The push for the implementation of scientific management resulted from the failure of a series of state-based industrialization efforts within the Economic Urgency Plan (*Rentjana Urgensi Perekonomian*) and the Benteng Programme started in 1951. The Urgency or Sumitro Plan outlined the improvement and expansion of research and training institutes of the Department of Industries, the extension of loans and credits to cottage and small-scale industries, the establishment through direct government sponsorship of central production and processing units (*induk perusahaan*) in industrial centres of various rural regions in Java and Madura, and the establishment of government-sponsored large-scale industrial plants in sectors of vital importance. The problems were especially relevant to the last two efforts of the plan: the development of central production and processing units or *induks* and the creation of large-scale industrial plants.

In 1954, Sumitro Djojohadikusumo under commission from the National Planning Bureau (BPN) and the Department of Industry of the Ministry of Economic Affairs, appointed the LPEM,[8] the research arm of the Faculty of Economics, Universitas Indonesia, to conduct research on the industrialization effort in the country. Mohammad Sadli, who at the time was an associate lecturer, was in charge of the daily executive supervision of the project. Hutomo Saidhidajat and Harun Zain assisted him. Their findings emphasized the need to build up both public and business administration in the country, if it wanted to develop a state-based industrialization programme.[9]

The government's large-scale industrial programme made little progress since its inception in 1951. Projects that were supposed to have been ready by the end of 1952 were, for the greater part, not yet completed by the middle of 1954. The reasons were bad organization as a result of incompetent management and lack of experience, shortage of expert and experienced labour, and unattractive wages for technicians and management. On the government's side, bureaucracy hampered instead of helped as a result of various administrative and financial regulations. There was a lack

8 Lembaga Penjelidikan Ekonomi dan Masjarakat or the Research Insitute on Economy and Society.

9 Sumitro Djojohadikusumo (ed.), *The Government's Program on Industries. A Progress Report by the Institute for Economic and Social Research*, (Jakarta: Universitas Indonesia, 1954), p. 3.

of coordination between the government departments and at a lower level between the department and the project managers. This showed the sad state of public administration. Lastly, there was a general lack of technical experts in the government.[10]

The *Induk Perusahaan* programme met with similar problems. The *induks* were bodies created in order to improve the quality of output of small industries, organize better production techniques, standardized qualities of production, introduce new and more efficient forms of organizations, instil a sense of organization and cooperation and organize joint and cooperative sales of finished products. The projects included woodwork, ceramics, textiles, ironworks and leather goods in various places in Java and Madura. Again, a series of problems that plagued the projects pointed in the general direction of lack of managerial capabilities as the main culprit. Marketing aspects has been neglected by all the *induks* organizations. The Department of Industries, on the whole, focused exclusively on quality improvement and techniques of production. As a result, *induks* had difficulty in finding markets or getting the best possible price for their products. Related to this was a lack of an organized distribution apparatuses. There was also a lack of technical knowledge and technical training. *Induks* also lacked rational business organization because of an inadequate attention to the most elementary principles of business administration. There was also a problem of securing raw materials, largely also related to this lack of administrative capability and experience.[11]

Externally speaking, there was a wider problem concerning public administration. Agencies related to industrialization had few detailed plans to implement. As a result, modification and changes were necessary. This was related to the acute lack of technical experts. "Until recently, the internal conditions of administration at the department were more or less chaotic. Even documentation and filing were not well taken care of. Preliminary reports and surveys frequently went missing. Basic reports were scattered all through sections and subsections. There was no concentration of master files. There was a lack of an adequate number of trained administrative personnel to disseminate and to follow up on reports coming in from regional branches. Control by the department of industries and its extended services of *induks*

10 Sumitro Djojohadikusumo (ed.), *The Government's program on industries*, p. 9-10

11 Sumitro Djojohadikusumo (ed.), *The Government's program on industries.* p. 15-16

have been inefficiently executed. A good deal of overlapping and cross wiring could be observed in the course of our research. One of the fundamental reasons was probably the frequent transfer of people who were in charge of supervision and control on *induks*. There was also lack of delineation of responsibilities. Sometimes there was confusion concerning the agency responsible for implementation of the *induks*. Was it the central department of industries at the centre or was it the regional branch (inspector) of the department of industries?"[12]

Administrative regulations by the government also contributed to hampering the development of *induks*. For instance, cash balances of the *induks* had to be transferred to the treasury as soon as was possible, yet when the *induks* required funds, the cumbersome and tedious procedures hampered them in conducting their business. Policies on import and foreign exchange made the provision of raw materials difficult. On top of that, there was a lack of consistency and uniformity in the organizational set-up of the *induks*. It was quite clear to economists that the problem of Indonesia's industrialization required reforms within government-owned companies and bodies and the larger bureaucracy.

Sumitro realized that there was a major problem in Indonesian ability to absorb capital investment. The lack of entrepreneurial skill amongst the indigenous population was well known, living, as Boeke defined them, in the non-productive side of the colonial dual economy.[13] His effort to increase entrepreneurial capabilities by implementing government policies like the Benteng Programme was seen to be a failure. The programme received much enthusiasm, growing from 250 businessmen to over 2,200 by 1954. Yet the government found that 90% of them lacked business experience and often became a front for Chinese-Indonesian businessmen.[14]

The failure of the Benteng Programme was a major setback to the idea that the Indonesian government could instantly develop an indigenous entrepreneurial class through the application of government policies. Sumitro reiterated, "Lack of equipment was not the most serious bottleneck. Equally serious, if not more so, was the lack of skills in general, and the critical

12 Sumitro Djojohadikusumo (ed.), *The Government's program on industries.* p. 16-19.

13 J.H. Boeke, *Economics and Economic Policy of Dual Societies. As Exemplified by Indonesia*, (Haarlem: H.D. Tjeenk Willink & Zoon, 1953), p. 36-51.

14 For more on the Benteng programme, consult Thomas Lindblad, *Bridges to New Business. The Economic Decolonization of Indonesia*, (Leiden: KITLV Press, 2008), p. 125-147.

conditions of public administration in particular… Immediate improvement of our public administration is a precondition for satisfactory implementation of future economic and financial policies. We refer not only to the government but also to government controlled or government sponsored enterprises, banks, credit agencies, etc."[15] It pointed the need for Indonesia not only to create entrepreneurs, but a whole range of administrative capabilities and administrative scaffolding for growth. This was why business administration seemed like the perfect answer to the lack of Indonesian entrepreneurial spirit. "We have experienced to our bitter disappointment, however, that capital equipment purchased resulted in actual capital loss just because no account was taken of the organizational preparation and skills required to generate capital expenditures into really productive results. I would consider for the next five years the problems of human investment of equal importance as capital investments, if not more important." [16]

In both the Benteng Programme and the Economic Urgency Plan, the ability of Indonesian actors to "supply the increased volume of administrative, technical, and entrepreneurial skills to complement capital and credit was once again overestimated."[17] There was thus a belief that both the bureaucracy and industrial or economic managers required some form of reform measures. The problem of development required basic changes to the organizational structure of the bureaucracy, but it also required a fundamental change in the mind-set and leadership of the economic and bureaucratic managers. There was an obvious need to introduce to the nation a new paradigm on leadership and a new structure of power and authority relationship. Scientific management emerged as a logical extension of this need.

Shift from Legal to Managerial Concepts

Within the government, the first effort to come to grips with a structured approach toward governance was evinced in the formation of the State Committee for the research of ministerial organizations or Panok (*Panitya*

15 Quoted in Douglas Paauw, *Financing development. The Indonesian case*. (Glencoe: the Free Press, 1959), p. 75.

16 Sumitro Djojohadikusumo, "Budget and its implications" in *Ekonomi dan Keuangan Indonesia*, vol. VI, January, 1953, p. 10.

17 Douglas Paauw, *Financing development. The Indonesian Case*. (Glencoe: the Free Press, 1959), p. 77.

Negara untuk menjelidiki organisasi kementerian-kementerian) commissioned by the President in 1952. The committee was tasked with investigating an efficient form of organizations for the government in order to reduce the expansion of organization and civil servants. It looked to create order and uniformity in the structure of the ministries and government institutions. Headed by legal specialist A.M. Pringgodigdo, the report was published in 1954 and was often consulted throughout the period.[18] The committee conducted research and found both formal legal differences in the ministerial forms and organizational differences; highly differentiated organizational structure, overlapping and redundant functions.[19] The purpose of the committee's ministerial plan was to create continuity in the administration in the event of government change, regulate new ministers and achieve clarity to the entire administrative structure. As a result, a series of re-ordering and regrouping was conducted on several ministerial sub-organizations.

Unfortunately, the committee failed to understand the psychological impact the changes had on the staff. A division (*bagian*) that was 'demoted' to section (*seksi*) felt underappreciated. The integration of redundant offices made many people anxious about their position and the shift of offices or sections or division from one ministry to another was met with hostility by those ministries slated to lose their workers and perceived prestige. The centralization of office administration (*tata usaha*) under the secretary general office failed to understand that not all central ministries work in the same building. "The writer came to the conclusion that the committee's numbers are faulty." They extrapolated numbers based on past ministries, not future extrapolation. "Perhaps it was the result of the inaccurate calculation of the committee, perhaps it could also be the result of the stress on practical persons especially legal specialists…Within Panok there were five jurists, one legal expert, one candidate jurist, and as a result the plan was created in a 'rigid' fashion with no escape clauses."[20]

18 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia," in M. Makagiansar and Widjojo Nitisastro, *Research di Indonesia. 1945-1965. IV. Bidang sosial, ekonomi dan kebudajaan*, (Jakarta: Departemen Urusan Research Nasional, 1965), p. 22-23.

19 Mohammad Sidik Moeljono, "Rantjangan Panok" in *Pantjawarsa LAN*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 86-87.

20 Mohammad Sidik Moeljono, "Rantjangan Panok" in *Pantjawarsa LAN*, (Jakarta: LAN, 1963), p. 90-91. "Mungkin a.l. karena perhitungan2 Panok kurang sempurna, mungkin djuga karena Panok terdiri dari orang-orang praktek dengan titik berat ahli hukum… Dalam

The shift from a Continental legal toward an Anglo-Saxon administrative approach was a significant testament to the prevailing attitude toward Indonesia's Dutch legacy. There was an almost fanatical need to pry Indonesian practices as far away from Dutch ones as possible and a view that saw Dutch colonial practices as inherently bad and unnecessary for further consideration. In 1950, the Word Commission (*Komisi Istilah*) was created at the Language Institute (*Lembaga Bahasa*) and UI's faculty of literature and philosophy. By 1962, they had compiled 254,960 words, including 5,858 legal terms, 10,318 military terms, 27,973 aviation terms and 18.525 engineering terms, many of them Dutch in origin.[21] Although the success of the commission varied, many words were being changed into English, especially in sciences like management.

A number of the reasons for the disinterest in the colonial heritage had strong compelling argument; there was widespread acknowledgement that the bureaucratic tradition of the colonial state was too complicated to be implemented effectively. Sumitro Djojohadikusumo said:

> We have taken over from the colonial government a bureaucratic body that is in itself very difficult to understand. The bureaucracy used difficult and complicated work methods. This difficult bureaucratic body was, during the colonial period, run by people who had been acclimatized to work within such structures. At the present condition, the same bureaucratic system is being filled with new employees whose technical capabilities and experience is not in line with the needs of the system. The procedures used in the colonial bureaucratic system (still being used today), is according to the experience of the writer, very hard to understand and control. Oftentimes people working within the environment of these bureaucracies have a hard time understanding the regulations. As a result, decisions are often based on whims (or oftentimes people decide not to make any decision").[22]

Panok terdapat 5 juris, 1 ahli hukum, 1 tjalon juris, maka rantjangan Panok tersusun setjara 'rigid' (strak, kaku) tanpa escape clausules.

21 Suwarna, "Arti istilah bagi hukum militer" in *Chakra Vijaya*, Vol. 1, No. 29, April 1962, p. 14-25.

22 Sumitro Djojohadikusumo, *Bunga Rampai Ekonomi*, (Jakarta: Indira, 1951), p. 266. Kita telah mengambil over dari pemerintahan kolonial, suatu badan birokrasi jang pada dirinja sudah sangat sukar difahami. Birokrasi tersebut mempergunakan tjara bekerdja jang sulit dan gecompliceerd. Badan birokrasi jang serba sulit itu, dizaman colonial didjalankan oleh tenaga2 jang sudah biasa bekerdja dalam susunan demikian. Dalam keadaan sekarang,

Such legal approach was considered anathema to economic development and represented what Sumitro called the regulation economy (*ekonomi peraturan*), in which regulations grew haphazardly and in contradictory ways as to reduce efficiency for the economy as a whole.[23] Daan Marks has argued that the Dutch had failed in leaving behind lasting, efficient institutions that were properly indigenized and this was the reason why Indonesia experienced institutional damage, which slowed down growth significantly, in comparison to other countries that experienced proper indigenization of their state institutions.[24]

The reduction of Dutch influence was an active policy that was part of Indonesian decolonization. As chapter four has shown, people clung to Dutch methods and the government continued to pay civil servants to study in the Netherlands. The shift had to be pushed through by the elites and American alacrity in providing funds. The shift from the 'legal' to the 'practical' approach accompanied the shift from Dutch to American ideas.[25] According to Carmel Budiardjo "the experts in England and the United States in general say that political science is about the study of power in society. Power is analysed on the basis of its properties, principles, development, framework and consequences. In comparison, experts from countries under German influence maintain that political science studies the state as a legal phenomenon, juridical-constitutional interpretation and administrative law."[26]

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system birokrasi tersebut diisi oleh tenaga2 baru jang baik mengenai pengalaman maupun ketjakapan technis, tidak menerima didikan jang sepadan. Procedure jang dipakai dalam susunan birokrasi bekas kolonial (jang dilandjutkan hingga sekarang), memang menurut pengalaman pengarang sendiri, adalah sangat sukar dimengerti dan dikendalikan. Seringkali orang2 jang harus kerdja dalam lingkungan badan birokrasi ini, tidak mengerti sendiri peraturan2 jang berlaku. Akibatnja ialah, tindakan2 jang diambil mempunjai sifat jang tidak karuan (ataupun sama sekali tiada diambil tindakan dan/atau keputusan).

23 Sumitro Djojohadikusumo, *Management dan Mismanagement dalam Perusahaan dan Masjarakat*, (Jakarta: Pembangunan, 1957), p. 5.

24 Daan Marks, "The economic consequences of decolonization" in Thomas Lindblad (ed.), *Indonesian economic decolonization in regional and international perspectives*, (Leiden: KITLV Press, 2009), p. 161-162.

25 There was growing interest in economics and other social sciences that had begun to rival the law department in attracting students, for instance. Bruce Glassburner, "High level manpower for economic development: the Indonesian experience", p. 180.

26 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'," p. 52. "Para sardjana di Inggris dan Amerika Serikat umumnja mengatakan bahwa ilmu politik mempeladjari soal kekuasaan dalam masjarakat. Kekuasaan ini diperlihatkan sifatnja, asasnja,

The shift from the Dutch Continental system was thus, according to Padjadjaran University legal specialist Ernst Utrecht, a shift from the Continental *Rechtstaat* to the Anglo-Saxon welfare state or *Wohlfahrtstaat*. Utrecht, one of the few Indo-European who have taken the Indonesian citizenship and a staunch supporter of Sukarno and member of the PNI, daubed in politics and academics equally during the period.[27] The German *Rechtstaat* attempted to impose a legal order in which all government decision could be regulated within the law, yet the problem appeared when the state began to expand its function as part of the development of social service and purveyor of public goods.[28] "This narrow view wanted to put in a straightjacket the government's activity within its legal boundaries. As a result, when government activity was expanded because of the acceptance of the Wolhfahrtstaat, an expansion of a 'web of administrative prescription'[29] happened that was increasingly complicated and in contradiction. This was because of the wish that nothing be left to its own devices and that positive legal supervision be maintained. As a result, there appeared a bureaucracy that preferred to obstruct instead of support the government's activity for the general welfare and individual interests!"[30] Quoting Yugoslavian legal specialist Eugen Pusic, Utrecht wrote "And administrative inefficiency, caused by legal guarantees, can finally reduce these guarantees to nil."[31]

Sukarno, in a speech to the Indonesian Jurist Association in 1961 said this about legal-mindedness: "Wilhelm Liebknecht has said – in Dutch –

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perkembangannja, rangka dan akibatnja. Sebaliknja ahli-ahli dari Negara jang terpengaruh oleh Djerman mempertahankan bahwa ilmu politik terutama mempeladjari 'negara' sebagai gedjala hukum, tafsiran juridis UUD dan hokum administratief."

27 He hated the PSI and called it *de partij van 'salon-socialisten'* in Eileen Utrecht, *Twee Zijden van een Waterscheiding. Herrineringen aan Indonesie Voor en Na de Onafhankelijkheid*, (Amsterdam: Sua, 1991), p. 87-90, 138 and 152-162.

28 For more on the liberal character of the *Rechtsstaat* see Rachel S. Turner, *Neo-Liberal Ideology,* p. 27-31.

29 *Net van administratieve voorschiften*

30 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'", p. 62. "Pendapat sempit ini hendak mengikat aktivitet pemerintah pada hukum. Akibatnja: ketika kemudian aktivitet pemerintah sangat diperluas karena diterimanja "Wohlfahrtstaat", maka dilahirkan suatu 'net van administratievevoorschiften' luas jang sangat berbelit2 dan makin luas makin bertentangan (!), sebab keinginan supaja tiada sesuatupun jang dilepaskan dari pengawasan hukum positif tetap dipertahankan. Dengan demikian dilahirkan suatu birokrasi jang lebih menghalangi daripada memadjukan aktivitet pemerintah guna kepentingan umum maupun kepentingan individu sendiri!"

31 *Ibid*.

'Met juristen kun je geen revolutie maken.' What Liebknecht said was that most legal specialists, jurists, are very legalistic, they cling to the prevailing laws so strongly that if they were to be asked to join the revolution, which requires throwing away the current... these legalistic jurists, would find it very difficult to do so."[32] Sukarno had equated legalistic thinking as being almost contra-revolutionary. In 1958, Sukarno inaugurated the creation of the Institution for the Development of National Law (*Lembaga Pembinaan Hukum Nasional*), whose goal was to change the colonial roots of Indonesian law.[33] In 1960, Sukarno gave ministerial status to the head of the Supreme Court, thus suspending Indonesia's law-based state.[34]

The root reasons for public administration was thus coincident with the root reasons for Sumitro's effort to promote Business Administration, as they were predicated on the idea of efficiency as a central feature of both government and economic functions. The new Anglo-Saxon approach was to see the administration of the state as similar to the administration of the company. The main ideas of business administration such as 'organization' and 'management' were imported and geared toward the practical and the pragmatic. The analysis of 'power' within the state was based on understanding the workings of institutions and how to solve problems associated with its bureaucratic tendency to be slow and inefficient. The resultant system was an efficient, flexible approach that was geared toward problem solving and not merely toward the implementation of regulation and the law.

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32 Sukarno, *Sosialisme dalam Kepribadian Indonesia. Pidato Presiden Sukarno pada Pembukaan Kongress Persahi di Jogjakarta, 26 Nopember 1961*, (Jakarta: Departemen Penerangan, 1961), p. 4. "…Wilhelm Liebknecht telah berkata – salinannja dalam bahasa Belanda – "Met juristen kun je geen revolutie maken. Jang dimaksudkan oleh Liebknecht ialah bahwa ahlihukum, juristen, kebanjakan – demikianlah maksud Liebknecht – sangat legalistis, sangat memegang kepada hukum-hukum jang "prevaleren", sangat memegang kepada hukum-hukum jangada, sehingga djikalau diadjak ber-revolusi – revolusi jangberarti melemparkan hukum jang ada, "a revolution rejects yesterday" kata seorang pemimpin revolusi jang lain, "a revolution rejects yesterday" – sehingga djikalau jurist-jurist janglegalistis ini diadjak ber-revolusi, katanja, amat sulitlah hal jang demikian itu."

33 Keputusan Presiden Republik Indonesia no. 107 tahun 1958 tentang Lembaga Pembinaan Hukum Nasional (LPHN) in ANRI, Jakarta, Mohammad Yamin, inv.nr. 360. LPHN was composed of lawyers and other elements of society in order to create a legal system that was not merely based on a legal approach, but also accommodate other elements, at least according to the Minister of Education and Culture to the Ministerial Board in charge of creating the body. ANRI in Jakarta, Kabinet Perdana Menteri Republik Indonesia, inv. Nr. 1651.

34 A.M. Reksohadiprodjo, "The Relations of Law and Economic Development. With special reference to Indonesia", MA thesis Institute of Social Studies, The Hague, 1969, p. 33.

At the same time, the shift toward the welfare state and the concomitant rise of the administrative state occurred in much of the world, including the Netherlands. The first development of public administration in the Netherlands was conducted not at Leiden or Utrecht University but at the Rotterdam Business School by Gerrit van Poelje. Its implementation was facilitated as a result of the destruction of the Dutch economy during the Second World War and the need to reconstruct and rehabilitate both government and economic administration. Yet, in Indonesia, it was recounted as a shift away from the Dutch discourse and toward the American. Ernst Utrecht warned that such alacrity in accepting American ideas was dangerous and that "there is nothing wrong for us to direct our interest to the problem solving system of progressive countries like the Chinese People's Republic."[35]

Expansion and Development

During the colonial period, Indonesians had little chance of obtaining training in administration because there had been few opportunities for Indonesians to occupy decision-making posts and because the Continental, legal-formal approach held sway. Legal education was often the only training given to candidate administrators in administrative schools like the MOSVIA/OSVIA, *Rechtshoogeschool* and the *Bestuursacademie*. After the war, Dutch development of public administration started to make an impact in Indonesia as Gerrit A. van Poelje's 1942 book on *Bestuurskunde* was translated in 1953, the same year as the publication of A.M. Donner's *Nederlandsch Bestuursrecht*. Ernst Utrecht's *Pengantar Hukum Administrasi Negara* was published in 1955, a year after the Panok Committee conducted their study and published their plans. Aside from the Panok, the government through the Biro Perantjang Negara also conducted research and invited a public administration specialist T.R. Smith from New Zealand to train in November 1953. Smith also produced a memorandum on public administration. By this time, there was considerable interest in the introduction and implementation of training in public administration, not just because of the extent toward which the failure of the Sumitro Plan had become widespread but also

35 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration" berhubungan dengan pidato-pidato Prajudi dan Tjia Kok Tjiang" in *Padjadjaran*, p. 72.

because the elites realized that the production of expertise was a pressing matter.[36]

From a business perspective, the discussion of American scientific management occurred as early as those of the public administration. A. Strachoff and E. Smit, both Dutch engineers at Unilever wrote in the journal *Ekonomi dan Keuangan Indonesia* on the need to increase labour productivity in Indonesian plants through the application of modern managerial methods.[37] *Ko-Ordinasi dalam Republik Indonesia* written by Sutomo around 1953 gave a glimpse of the problems concerning lack of coordination and unhealthy competition within government offices and agencies from the viewpoint of people within the government, and looked at the psychological problems at the root of the problem.[38] This book, though, had less impact on the development of Indonesian administration science than it should have. For instance, it was not cited in Bintoro Tjokroamidjojo's article on 20 years of development of Indonesian public administration science,[39] despite the insights his book had on the problems surrounding coordination and the lack of *esprit de corps* in the civil service. Written by a revolutionary hero with access to government officials and their thoughts, Sutomo's answer to the problem was not fixed on the problem of leadership, but on creating common interest amongst the elites: the officials of bureaucracy, the military and the business sector. It sought to emulate the colonial bureaucracy and its usage of clubs and parties (*soos* and *societiets*) to create a community of elite with unified goals.[40]

36 For instance, Sjafruddin Prawiranegara, *Indonesia dipersimpangan djalan*, (Jakarta: Alma'Arif, 1951).

37 A. Strachoff and E. Smit, "The possibility of increasing the labour productivity in Indonesia by application of modern managerial methods" in *Ekonomi dan Keuangan Indonesia*, Year VI, 1953, p. 164-181.

38 Sutomo, *Ko-Ordinasi dalam Republik Indonesia*, (Malang: Balapan, n.a.).

39 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia", p. 16-53.

40 Sutomo, *Ko-Ordinasi dalam Republik Indonesia*, p. 33-34 and 42-43.Sutomo or Bung Tomo is a famous revolutionary fighter who had led the fight against the British in the romanticized battle of Surabaya on 10 November 1945. He had become a liaison officer between the military and civilian government during the last years of the revolution. He had dabbled in politics, entering the Parliament in the 1950s before being deeply disappointed and leaving public life for good. He died in 1981.

Litchfeld and Rankin Report

In 1954, the Indonesian government and the University of Indonesia invited Dr. Edward H. Litchfeld and Alan C. Rankin, the then dean and assistant professor of Cornell's School of Business and Public Administration to conduct a wide-ranging three-month survey of Indonesia's administrative woes. The two men met with important Indonesian leaders, including Vice President Mohammad Hatta, the head of the National Planning Bureau Ir. H.A. Djuanda and prominent intellectuals such as Dr.Mohammad Yamin, Dr.Sumitro Djojohadikusumo and Dr. R. Supomo, President of the University of Indonesia. Lichtfelt and Rankin interviewed various Indonesians in top, middle and low positions in government.

Knowledge of basic concepts of public administration was practically non-existent in almost every organization they visited: government offices, hospitals, school, etc. "Generally speaking, we would say that the field of administrative science is largely unknown in contemporary Indonesia".[41] What Lichtfeld and Rankin suggested was the creation of university-based Indonesian administrative courses that would cater to Indonesian need in creating an administrative leadership, people who were able to apply the science of public management in order to create efficient government institutions. Furthermore, because administrative science was fairly new and Anglo-Saxon-centred, the Dutch never left behind anything pertaining to it. They encouraged the development of literature in administration, which included acquisition of foreign materials, translation of standard materials and the development of Indonesian-based literature on administration. In fact, Dwight Waldo's *The Study of Public Administration*, a classic in the development of public administrative science was translated a year after the Litchfeld and Rankin visit and seven years after its first publication in 1948.[42]

They also encouraged the need to create libraries and train librarians as support for literature development. They found resources within the country lacking; there were only a couple of hundred books for the entire university

41 Edward H. Lichtfeld and Alan C. Rankin, *Training for Administration in Indonesia*, (Ithaca: Cornell University, 1954), p. 11.

42 It was translated by Slamet W. Atmosoedarmo and published in 1955 as Pengantar Studi Public Administration. The term Public Administration was left to its English original, signaling the novelty of the entire discourse for the Indonesian intellectual public. Dwight Waldo, *The Administrative State. A study of the Political Theory of American Public Administration*.

system in Indonesia, many of which were imported and were related to Indonesia only tangentially. Many universities did not even have a library. The available books on Indonesia were confined mostly to those written in the Law Department and a few on the economy, with practically no supporting literature on political science and psychology.[43]

Another step was to develop university faculties in administrative science, initially for the University of Indonesia, to be spread to other universities such as Gadjah Mada University in Yogyakarta and one in the Celebes and Sumatra. The import of temporary foreign teachers and the active training of a permanent Indonesian faculty would be required. Such formation would also allow for the creation of organized research programs through the formation of both. Not only would they be part of the Indonesian faculty, they would also be part of government and business, thus creating the system of relationship between government, universities and the business world that was and is a feature of society and governance in the Western world. They suggested a program of graduate work involving three years of study in residence and a fourth year in the field leading toward a PhD degree. They calculated that if only one person were to be trained each year for each of the ministries, provinces, regencies and very large cities, then 200 graduates a year would be needed. A four-year undergraduate training program with 1000 students would be needed. In fact, larger, considering the rate of attrition, which they calculated conservatively to be around 25%.[44]

Another important consideration was the provision of education for those who were already in government service. *In-service training* programs to the higher-level administrative echelons, instead of the usual technical and lower-level positions would be necessary. Included within it would be the executive development programs. Such programs needed to be sensitive and they suggested that participation of very senior persons in the government to be essential to enable others to participate without losing face and to find acceptance in the lower levels of the administration. Training overseas would also be beneficial for public officials to acquaint themselves with the concepts and practices of administration. Such officials would also be more sympathetic to young graduates filling in the position in their office. They supported a survey on personnel practice with recommendation for the

43 Lichtfeld, Edward H. and Alan C. Rankin, *Training for Administration in Indonesia*, p. 13-14.

44 Lichtfeld, Edward H. and Alan C. Rankin, *Training for Administration in Indonesia*, p. 19-20

improvement of the system, which the National Planning Bureau supported. This would result in the creation of the *Lembaga Administrasi Negara* or LAN as one of the main education centres for government managerial production.[45]

The Effect of the Report

A committee was formed to follow up on the report headed by Vice President Mohammad Hatta and with Djuanda Kartawidjaja of the National Planning Bureau, M. Hutasoit from the Ministry of Culture and Education and Sumarman as members, among others. The committee agreed on the development of a specifically Indonesian program that would unite both public and business administration within a single educational centre. The Planning Bureau also published "Administrative requirements for social and economic development" in August 1954.[46] But it was only after 1955 that a significant development occurred in the education of public and business administration, and especially after 1957 when there was anticipation of greater government control as a result of the rise of Guided Democracy. In 1956, the ICA funded Joseph L Sutton, who was working as advisor to the Thai Public Administration Institute at Thammasat University, Bangkok. They also created a Public Administration division in Jakarta with Harry W. Marsh and John A. Ulinski as officers. The ICA program focused on importing books on administration and sending Indonesians to study scientific administration abroad.[47]

The Indonesian government had by this time sent many government employees abroad to the United States of America, England, Australia, the Philippines, India and many other countries. More important was the quick expansion of education on the matter. On 20 September 1956, Prajudi Atmosudirdjo made a speech on public administration to open the Faculty of Administration in the private University Krisnadwipajana in Jakarta. In December of the same year, Tjia Kok Tjiang also opened a Faculty of Public Administration at the Universitas Indonesia in Makassar. These speeches were to be criticized heavily by Ernst Utrecht in 1958.[48] Even so,

45 Edward H. Lichtfeld and Alan C. Rankin, *Training for Administration in Indonesia*, p. 21-23.

46 Bintoro Tjokroamidjojo, "Perkembangan Ilmu Administrasi Negara di Indonesia," p. 27-28.

47 *Ibid*.

48 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'."

there was no doubt that interest in public administration had resulted in a swift expansion of state-sponsored institutional development pertaining to education and research.

What is necessary to understand here is the high level of support from experts in developing this wide range of educational institutions from both within the state and the broader community. The creation of the *Akademi Pemerintahan Dalam Negeri* (APDN) by the Ministry of the Interior in March 1956 to replace the C-Course was predicated on a shift in curriculum toward public administration. The C-Course was started in 1953 as an integration of previous schools of government of the *Pamong Praja* corps. Pupils at the APDN were to be taught the latest knowledge on public administration to the detriment of administrative law (*hukum administrasi*) which was effectively replaced. American professors like Garth C. Jones and Henry W. Bush were posted to teach there.[49] It was not merely the speed at which all these developments occurred, but also the cutting edge-ness of the process. The newest books on public administration and scientific management became widely available in the libraries of the places. Many books were quickly translated including Dwight Waldo's *The Administrative State,* which was published in Indonesian in 1955.[50]

Criticism of Scientific Management

Public Administration and Scientific Management had become modern mantras with the promise of bringing efficiency and order as if by magic. Utrecht called it a '*mode-woorden*' and, in fact, a '*toverwoorden*', magical words.[51] "Has the result of public administration matched the enormous interest we have of it?" he asked, and which he answered with a negative.[52] A USAID report said in 1964: "One of the current fetishes in most developing countries is the field of "management". Everyone seems to look on it as a panacea to all problems."[53]American support for its expansion also meant that it not only conformed to the intellectual fashion of the day, but that

49 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia," p. 33-34.

50 Dwight Waldo, *Pengantar Studi Public Administration*, (Jakarta: Djajasakti, 1955).

51 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'," p. 69-70.

52 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'," p. 68.

53 *Human Resource Development. Problems, Policies, Programs*, (Jakarta: USAID, 1964), p. 11.

authorities saw it as an opportunity to obtain available funds and aid that the US had opened up. Yet, Indonesia's acquaintance with the science was new and this was most obviously apparent in the writings of the supposed experts of public administration in the country. Ernst Utrecht's criticism to lectures given by Prajudi Atmosudirdjo for the opening of the Faculty of Management at the Universitas Krisnadwipajana and Tjia Kok Tjiang's lecture for the five-year celebration of the Faculty of Public Administration at the Universitas 17 Agustus 1945 in Makassar was brutally honest and rare for post-independent Indonesia. In it, Utrecht accused both men of being dilettantes, and worse, he accused Prajudi of being intellectually dishonest.

On Prajudi's lecture, he said, "I've never encountered from the mouth of an Indonesian intellectual a series of bullshit and lies, as have been written on the quotation above."[54] Prajudi's discussion on public administration, especially in the Netherlands, according to Utrecht, misunderstood the Dutch condition. His lecture failed to provide a good definition of what Public Administration and management actually entailed and his discussion on the problems of public administration did not respond to the conditions of Indonesia. In fact, Utrecht's main criticism was with the dangers of over-estimating the 'magical' abilities of the public administration and as a result the loss of interest in understanding the importance of administrative law (*hukum tata-negara*), the law-based approach which was used by Dutch scholars in understanding the function of the state. In comparison to the European legal-based approach, the Anglo-Saxon approach was a political science approach, which used power as an analytical tool to understand the structure of state and management. To be fair, Utrecht himself was a legal specialist and wrote what came to be a tome in Indonesian administrative law. There was obviously a professional angle to his criticism. Being an Indo-European and a graduate of Leiden Law, he came from a European/Dutch intellectual tradition, which was eroded away during this period.

Because of the antipathy towards many things Dutch, the shift toward Anglo-Saxon public management science was conducted not through an initial understanding of the science but with the experimental appeal to try something new. Sumitro Djojohadisukumo in an opening lecture for the start

54 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'," p. 47. "Belum pernah saja mendengar dari mulut seorang tjendikiawan bangsa Indonesia suatu rentetan omong-kosong dan bohong, seperti tertera dalam kutipan diatas."

of the School for Business and Public Management[55] on 14 January 1957, said "I should stress that the term 'administration' must not be confused with the term 'administrasi' which are usually used in Indonesia as an extension of the Dutch usage of the word."[56] Because of the wish to get Indonesia away as soon as possible from their Dutch legacy, there was a somewhat haphazard attempt to install scientific management as a replacement to former Dutch-based studies that had a long colonial precedent.

There was, thus, a quality of detachment expressed in the books, articles and lectures of the works on public management in Indonesia during the period.[57] The American books were seldom contextualized with the Indonesian condition. The case studies compiled and used as the foundation for the build-up for a contextualized Indonesian science of public and private management lacked a deep understanding of the power relation and institutions that were needed in order to understand fully its 'ecology'.[58] The lack of the development in Indonesian political science made it difficult to fully analyse the 'ecological' context of the manager. The approach toward power was then, as we will see below, expressed in the form of formulating leadership problems, as an extension of a cultural analysis of Indonesians in general. But the discussion on power rarely touched on the structure of the power as it was played out within the institutional environment of the state. For that to occur would require the full authority of the 'scientific managers' or 'public administration specialists.' The problem of power was a political problem, but it was exactly this problem of lack of authority that the 'experts' were dealing with during the period.

Utrecht provided an example of this problem. A student of his at the C Course in Malang who had studied public finance under Professor Garth N.

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55 Perguruan Tinggi Ketataniagaan dan Ketatapradjaan

56 Sumitro Djojohadikusumo, *Management dan Mismanagement dalam Perusahaan dan Masjarakat*, (Jakarta: Pembangunan, 1957), p. 3. "Hendaklah saja tekankan, bahwa kata 'administration' djangan ditjampur-adukkan dengan 'administrasi' dalam arti jang lazim masih dipakai di Indonesia sebagai kelangsungan rangka pengertian bahasa Belanda."

57 Often times, the books were rehashed version of American books with little effort to apply it within an Indonesian context or situation.

58 J. Rossall and Leon Mears, *Indonesian Cases in Business Administration*, (Jakarta: LPEM, 1961) also Everett Hawkins, *Cases in Business Administration*, (Yogyakarta: Fakultas Ekonomi-UGM, 1964). The analysis of the cases was politically detached and focused on a purely economic approach, instead of understanding the wider societal and political implication of inefficiency.

Jones, an American expert who studied the problems of public administration in the United States and Mexico, was unable to fully implement the techniques he has learned from his professor because the administrative apparatus in his division wouldn't provide him with the authority to do so. Efficiency change thus required understanding and changing the basis of the Indonesia's *staatsrecht*. To allow for changes in efficiency, the law would have to be changed in order to conform the system of government. In order for this to be successful, one has to understand the Indonesian system of government.[59] In order for Indonesians to engage in the reform of the state's legal basis, it required an emphasis on legal study and an engagement with their Dutch intellectual past. The problem was twofold. First, if such legal changes in the state system allowed greater authority for managers, it required a redistribution of power of the political elites toward their 'expert'-based elite, and this did not happen. Second, 'scientific management' provided a *magic word* for the political elite that was at the same time supported by US aid that effectively blocked the need to deal with the 'real' problem, which was a political problem.

The Development of Business Management

Like that of public management, business administration grew fast in the 1950s and exhibited the same shift from the Dutch/Continental system towards an American/Anglo-Saxon type. Barli Halim divided the period into three: 1945-1957 as a Continental period, 1958-1959 as an Anglo-Saxon one and 1960-1965 as a business management science based on Indonesian socialism.[60] Although he placed Americanization as a brief and almost insignificant one-year development, it would be foolish to underestimate the strength of its message and ideology. Reading through works on business administration throughout the 1960 would easily show how replete were ideas of scientific management within the pages of supposedly socialist Indonesian tracts on management.

There is doubt that business administration lagged behind in its 'Indonesianization' process in comparison to the vigorous interest exhibited

59 Ernst Utrecht, "Beberapa tjatatan tentang 'Public Administration'," p. 69-70.

60 Barli Halim, "Ilmu ekonomi perusahaan" in M. Makagiansar and Widjojo Nitisastro (ed.), *Research di Indonesia,* p. 211.

by state elite in the development of Indonesian public administration. This was the result of several factors. First, business administration was a lot less politically sensitive than public administration, whose relationship to state power was deep. Second, the continuation of Dutch perspectives on business administration was the result of the continued presence of Dutch professors teaching the field in Indonesian universities. Again, the root of this was similar to the first reason above; teaching business administration carried less political weight than law or public administration. Third, the continuing and large presence of Dutch-owned enterprises meant that Indonesian graduates had the chance of entering employment in these enterprises and thus continuing the relevance of a Dutch perspective on business administration. All of this was ended as a result of the nationalization of Dutch-owned enterprises and the forced repatriation of Dutch citizens by 1957. It was only obvious that America came to replace them.[61]

There were basically three main tracks in obtaining business management in the country: the university-based system, corporate-based business courses and state-based programs. Economics, and especially business administration, was not available at the few existing faculties during the colonial period. The only faculty with some economics education was in the law faculty. Some 15 Indonesian economists were available at independence; they graduated from Dutch universities, mostly the Erasmus University in Rotterdam, and some from the Universities of Amsterdam and Tilburg. After independence, three universities develop a relatively strong economics faculty: the University of Indonesia, Gadjah Mada University and the Protestant Nommensen University in Medan. A college of business management was set up in the early 1950s by Dutch commercial organizations and chambers of commerce representing a private sector response to the need for commercial managers.[62]

Business economics brought by the Dutch focused on the study of the firm. This liberal approach contrasted with the study of the state, i.e. its role in economic development, in the nascent science of developmental economics. The study of business management was divided into four sciences: cost theory (*ilmu biaya*), expenditure theory (*ilmu belandja*), external organization and internal organization theory. The books were also in Dutch; J.C. Rietveld's

61 Barli Halim, "Ilmu ekonomi perusahaan", p. 215-218.

62 Antara, 29 November 1953.

Inleidend Leerboek der Bedrijfseconomie, v.d. Meer's *Schets der Bedrijfseconomie*, P.J. Potgieter's *Inleiding tot de Bedrijfseconomie* and so forth.[63]

In 1955, the FEUI discussed the possibility of hooking up with an American University in order to support the upgrading of Indonesian teaching staffs. Prior to 1957, Sumitro had succeeded in recruiting Dutch teachers through his connections with the Rotterdam School of Economics.[64] In 1956, an agreement was signed with the University of California at Berkeley to be funded by the Ford Foundation. Aside from sending young Indonesian lecturers to pursue post-graduate studies there, Berkeley would also be sending professors to teach at UI. In 1957, six UI staff members were sent to California while Berkeley sent three of their staff members. In 1955, Universitas Gadjah Mada took Economics out of the Law, Economics and Social Science Faculty to stand as a faculty on its own and appointed lecturers Dr. J.B. Stock, Prof. Stanislaw Swianiewicz, a Polish economist, and Prof. C. de Heer,[65] former professor of business enterprise at Makassar.[66] In 1957, UGM signed an agreement with the Ford Foundation and Wisconsin University, which allowed the sending of eight foreign lecturers, six of which came from Wisconsin University, including Everett Hawkins.[67]

The first changes they made were to replace the theories that were being taught in classes. The American Frederick Taylor and the French Henry Fayol now started making their appearance. Fayol divided business administration into six parts: management, production, marketing, financing, accountancy, and personnel. The introduction of American textbooks appeared in Indonesia for the first time; Prentice Hall, McGraw and Hill and Macmillan, among others, provided, more pragmatic books designed for the uninitiated.[68] The shift was observable also in the method of teaching. The introduction of discussion groups and seminars was seen to be a refreshing change to the lecture forms of Dutch professors. The teaching staffs were taught to assist

63 Barli Halim, "Ilmu ekonomi perusahaan", p. 213-214.

64 Thee Kian Wie, "Economics" in Koentjaraningrat (ed.), *The Social Sciences in Indonesia*, (Jakarta: LIPI, 1979), p. 229.

65 Sardjito, Laporan Tahunan Universitas Gadjah Mada Tahun Pengadjaran 1955/1956, (Yogyakarta: UGM, 1956), p. 4.

66 A.N.J. De Hollander, The Social Sciences in Indonesia, (Paris: UNESCO, 1951).

67 Sardjito, Laporan Tahunan Universitas Gadjah Mada, p .13-14.

68 Barli Halim, "Ilmu ekonomi perusahaan", p. 216.

the learner, instead of being the source of knowledge. The introduction of the Indonesian study case methods was empirical and contextual.

Caldwell & Timms Report

The rise of interest in business administration was portrayed succinctly in the Caldwell and Timms Report. The report was published in November 1 1958 under commission to the planning body and was the result of a survey by the two men undertaken in Indonesia between the months of July and August of the same year. They interviewed around 300-350 leaders in public, business management and education, half of them in Jakarta and the rest in other cities such as Bogor, Bandung, Pekalongan, Semarang, Yogyakarta, Surabaya, Malang, Medan and Palembang. Because of the short two-month stay of the consultants and their general prior ignorance of Indonesia, the report functioned more as an instrument to express the general ideas by Indonesians working in the field.[69]

The report was important exactly because it recorded the sentiments of the general Indonesian managers at the beginning of the Guided Democracy. There was a degree of apprehension amongst those interviewed that the gradual retirement of a significant number of Dutch-trained administrators would mean a reduction in the efficacy of government administration over time.[70] The report was also important because it addressed the production of business managers and signalled greater state concern and intrusion into the management of the private economy. The European education system did not recognize the possibility of teaching business administration in universities; thus like economics in general, Indonesia did not have any tradition for such education. Like public administration, business administration was an American-developed education curriculum.[71] The curriculum consisted of the introduction of Taylorist scientific management and the collection of

69 Caldwell and Timms, *Developing the managerial resources of Indonesia. A report to the Biro Perantjang Negara*, (Bloomington: Indiana University, 1958), p. 8. ANRI, Mohammad Bondan, Inv. Nr. 699.

70 Caldwell and Timms, *Developing the managerial resources of Indonesia,* p. 9.

71 Caldwell and Timms, *Developing the managerial resources of Indonesia,* p. 40-41.

case studies of companies and their problems. Leon A. Mears and Rossall J. Johnson were among the first to collect business study cases.[72]

The report highlighted several issues that needed to be addressed for the development of business administration. As an immediate goal, it called for the creation of a management development program to be modelled after the Advanced Management Program of the Far East in the Philippines. This was an extension of the Advanced Management Program set up by the Harvard School of Business Management. It also called on the establishment of evening programs in business administration in business and government centres throughout Indonesia and within the Indonesian universities. For the long-range goal, it pushed the need to speed up the output of faculty members through supporting the doctorandus program in business administration at the University of Indonesia, which was at the time the most advanced program in business administration in the country. Lastly, it called on the development of a first-rate institution of higher education, similar to the Harvard School of Business Management. This should be located within the FEUI.[73]

As follow-up of the Caldwell and Timms report, a committee headed by FEUI economists Subroto, Mohammad Sadli, Panglaykim and Arifin Abdulrachman was created. Many of the experts involved in the committee were from the Faculty of Economics at the University of Indonesia. The focus on business management resulted in the formation of a series of managerial courses that were meant to upgrade the capabilities of business managers, especially of state-owned companies. With the help of the Ford Foundation and the University of California, a Development Management (*Pembangunan Ketatalaksanaan*) course was started. This was the start of the various courses that were to be a permanent feature of the Guided Democracy state. We will discuss in more detail the development of both public and business administration during the Guided Democracy in later chapters, but a better understanding of business administration is needed.

In 1957, the law professor Djokosutono took on the Acting Dean of the Economics Faculty of the Universitas Indonesia after Sumitro Djojohadikusumo joined the PRRI rebellion in Sumatra. As part of the

72 Rossal J. Johnson, Dale McKeen and Leon A. Mears, *Indonesian cases in business administration*, (Jakarta: Lembaga Penjelidikan Ekonomi dan Masjarakat, 1961).

73 Caldwell and Timms, *Developing the managerial resources of Indonesia,* p. 48-50.

Guided Democracy shift, the curriculum of the faculty was also revamped. Djokosutono felt that the curriculum should be geared toward the specific needs of a developing country. Courses that were considered 'luxury' were eliminated, the dabbling of 'abstract analyses' were discontinued.[74] The Dutch-based curriculum had included a large amount of law education, including courses on private law, fiscal law, Islamic law and commercial law at the undergraduate level. Instead, many of the economics courses were taught with little differentiation.[75]

The shift toward an Americanized curriculum, alongside the introduction of American-influenced sciences like public and business administration was significant and widespread. The overall result of the changes led to a more pragmatic focus, i.e. a heavier emphasis on applied economics as opposed to a general one. The economic courses were differentiated within three fields of specialization: general economics, business economics and accountancy. In 1964, governmental economics were introduced. These changes were happening throughout the university system. Before 1955, economics were taught within a single social science faculty and it was heavily based on the Dutch curriculum. All the books and articles used in the courses were Dutch in origin.[76]

Another important reason for the Americanization of the curriculum lay in the shift in language ability. Thee Kian Wie argued that since the mid-fifties, there had been an influx of students with little ability to command the Dutch language, because their primary education had started after the Japanese invasion in 1942. A change in language proficiency necessitated the move toward English-based reading materials.[77]

As we will see below, the expansion of both managerial education and thought occurred in the early years of Guided Democracy (1957-1962), a period in which efforts for the application of sciences into a new political order was seen possible. Although that belief would be shattered as the Guided Democracy state would be even less efficient, there was no doubt that the structural and organizational changes toward a managerially controlled economy provided impetus toward the creation of a type of New Order elite.

74 Pidato Dekan Fakultas Ekonomi Universitas Indonesia pada peringatan Dwi-Dasawarsa dan Reuni Alumni ke II, Jakarta, 1970.

75 Thee Kian Wie, "Economics" p. 230-234.

76 Thee KianWie, "Economics", p. 230-234.

77 Thee KianWie, "Economics", p. 231-232.

The development of public and business management in Indonesia developed alongside and was intertwined; the fact was that government regulation created by the bureaucracy often conflicted with the need to increase efficiency of the Indonesian business sector. The expansion of the Indonesian government within the business sector hastened the need for both the bureaucracy and company management to understand and support one another. LAN and other learning institutes like the School of Public and Business Management tried to provide spaces of understanding between these two types of managers. Organizational structure within both state and company institutions would be useless without a working managerial staff; without proper leadership. The formation of a managerial elite would eventually reduce the divide between the state's public and business managers. As Sumitro asked in his lecture: is it possible that such a managerial elite can be 'created' within educational centers?[78] The science of management provided a convenient answer, a magical answer, in which managers could be produced in educational factories, without dealing with the big elephant in the room: the political set-up of the republic and the failure of Parliamentary Democracy in appointing good public managers.

Later criticisms were important in order to understand the way in which public administration in Indonesia developed during the period. In a report submitted by the labour division of the USAID in February 1964, the roots of the problem in the implementation of Indonesian management science was spelled out. The report outlined two reasons. "First, the approach has been substantially one of taking Western management concepts and methods and attempting to overlay them on a culture and economy not yet attuned to them. The result is that the trainees can, at the conclusion of their course, glibly repeat the management jargon, but the basic cultural barriers have not been broken through. Processes of thinking and acting have not fundamentally changed. Second, the courses tend to be academic and abstract; there is little emphasis on or use of the case methods or the problem-solving technique. As a result, there is no effective transition from principle to practice. Third, the teaching process consists almost entirely of 'lectures', which, in this case, usually consist of transferring the notes from the book of the lecturer to that of the student without necessarily passing

78 Sumitro Djojohadikusumo, *Management dan Mismanagement dalam Perusahaan dan Masjarakat*, p. 20.

through the minds of either."[79] The report laid out two suggestions for the development of public administration. First, an approach geared toward the social mores of the Indonesian rather than an attempt to transplant Western management ideology was necessary. Second, an in-depth program, which attends to the specific skills and practices of management and supervision and does not merely focus on the academic side of it.[80]

The public administration specialist Garth N. Jones mentioned above saw that the problem with Indonesian public administration was its de-contextualized character. "Unfortunately, there is a dearth of scholarly studies concerning the social milieu of Indonesia. Public administrators even if they understand the importance of the relationship of social science to their work, must operate almost in a void of knowledge about their social setting."[81] As a result, he advocated in early 1960s, that any technical assistance program must be focused on a scholarly study of the social milieu, governmental structures and processes, i.e. a considerable effort would have to be expended in order to obtain solid and basic information on the Indonesian government and society.[82] It was summed up as: "Fundamentally, the management process must be brought down out of the sky and back to earth."[83] They stressed that the pouring of capital investment into an economy or a society not yet ready to expand its productive capacity represented a waste of money.

Production of a Managerial Class

The Indonesian government had already decided by the middle of the 1950s to produce its own managerial class. Expansion of schooling public and business management was testament to this ambitious goal. The less than satisfying effort of the PUTABA scheme may have been one of the reasons for this, but it was always realized that the Indonesian state and society were to be managed by Indonesians. It was clearly stated within the Eight

79 *Human resource development. Problems, policies, development*, p. 8.

80 *Human resource development. Problems, policies, development*, p. 11.

81 Garth N. Jones, "Some critical areas concerning technical assistance in public administration in Indonesia" in *Lembaga Administrasi Negara*, p. 10-11.

82 Garth N. Jones, "Some critical areas concerning technical assistance in public administration in Indonesia", p. 13.

83 *Human resource development. Problems, policies, development*, p. 11.

Year Development Plan that each state university was to be equipped with a faculty on public administration.[84]

The weak authority of the experts may have affected the closeness of many experts with the army elites. For instance, the magazine *Manager* often had special edition in which military management would be discussed. Generals like A.H. Nasution, Ibrahim Adjie and Ahmad Yani has often graced the edition with their opinions. Thus Nasution and his discussion of the Paran and Ibrahim Adjie and a discussion on the civic action program.[85] Aside from the military elites, most other contributors came from the civilian expert elites, including First Minister Djuanda. A coterie of limited military and civilian experts, most with ties or sympathy to the PSI, represented the core managerial class of the country. It is the same group of people that would eventually come to power under the banner of the New Order.

It is an interesting juxtaposition to see the large feelings of inadequacy that are apparent in the grumblings of the 'cultural' weaknesses of the Indonesian managers and the almost triumphant exclamation of the managerial revolution by those same managers themselves. In magazines like *Fortuna*, *Manager* and *Perusahaan Negara*, interest in expounding the managers as the future leaders of the country abound. The confinement of managerial production within the social science was a unique and modern perspective. "It is now prevalent in the United States to leave behind the old tradition that assumes potential managers require them to be educated in engineering. The large industries in today's America, with their various kinds of societal activities, is a modern social group…" What was desirable in a person was their flexibility. Many American companies in fact claimed that humanity and social science students as being more preferred than the more technical types.[86]

On the other side of management, the expansion of *doctorandus* degree business management went apace and, in fact, the intake of business management students shot up after the take-over of Dutch-owned businesses

84 *Rantjangan Dasar UU Pembangunan Nasional-Semesta Berentjana Delapan Tahun: 1961-1969. Bidang Mental/Ruhani dan Penelitian Buku ke III. Djilik ke VI. Pola pendjelasan bidang pendidikan tenaga pembangunan*, (Jakarta: Dewan Perentjanaan Negara, 1960), p. 1751.

85 A.H. Nasution, "Kata Sambutan", p. 4-9 and Ibrahim Adjie, "TNI dan 'Civic Mission'" in *Manager*, Vol. IV, No. 37, April 1963, p. 10-15.

86 "Apakah anda laksanawan type baru?" in *Fortuna*, Vol. 1, No. 11, February 1961, p. 744-748.

in Indonesia. The table below showed the number of graduates of the FEUI during the time period of 1952-1963. It shows that business management trailed behind general economics. Yet, even more significant was the expansion of student intake in the business management science. The most significant rise was the year 1959-1960, when 146 economics science and 1960-1961 where 37 business management majors graduated.

	Economics	Business Management	Accountancy
1952-1953	0	2	2
1953-1954	0	1	1
1954-1955	4	1	5
1955-1956	14	9	23
1956-1967	17	9	30
1957-1958	11	9	21
1958-1959	45	22	69
1959-1960	146	37	203
1960-1961	76	34	138
1961-1962	58	36	103
1962-1963	58	50	128
Total	426	210	723

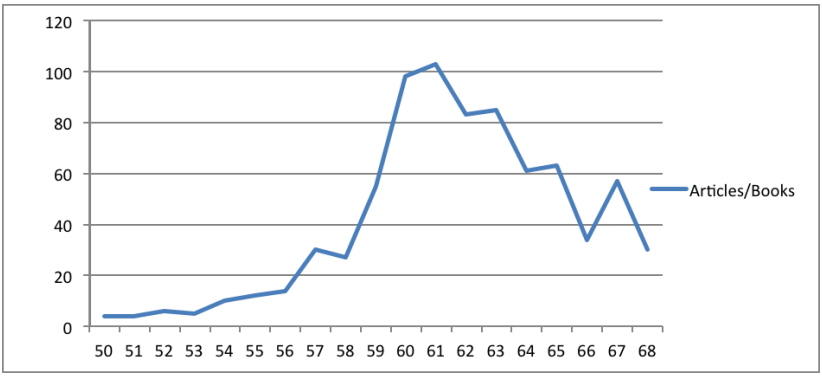
Graduates of the three departments of the Faculty of Economics at the University of Indonesia. Taken from J. Panglaykim, "Some notes on the Development of Economic and Business Administration Education in Indonesia" in *De Economist*, Vol. 113, Nr. 4, 1965, p. 281.

In the case of the FEUI, business administration produced its first graduates as early as 1952. Yet up to 1957, enrolment at the department remained fairly limited. The department experienced an expansion of student enrolment from 1958. This was dwarfed by the expansion of the department of economics, which exploded to more than 100 students in the year 1959 in anticipation of the Guided Economy. By 1963, a total of 210 business administrator had been educated by FEUI, about half of the 429 graduates in economics. Yet, if we look at the enrolment of the year 1963-1964, there were around 101 first-year and 280 second-year graduate students in business administration at FEUI in comparison to only 26 first-year and 104 second-year students in general economics. The unmistakable trend was an increasing

interest in business administration in comparison to general economics as the 1960s wore on.[87]

The interest in public and business management thus peaked at around the early part of the Guided Democracy, between the years 1957-1962. The expansion could be seen in both the rise of interest in business management courses, as the data above has shown and also from the production of books, especially on public administration. In a survey of book production on the various subjects labelled as administration, The Liang Gie has found the peak within the 1960-1961 period,[88] a period in which Law 19/1960 was passed which effectively transferred the coordination of the entire economy, including the private economy, into the hands of the government.

The chart below shows the number of publications in the forms of books and articles that was either written or translated into Indonesian during the period. The amount of article production reached its peak with 86 articles for 1960 and 89 articles for 1961. Of the 289 published books on administration, 91 or a third of the total were translations.[89]After this year, the number of production in both articles and books went on a downward spiral. It was then followed by the closure of the journal *Madjalah Manager* in 1965.



Production of books and articles on managerial science between 1950-1968, with a peak in 1961. Taken from The Liang Gie, *Bibliografi Ilmu Administrasi*, (Penerbit Karya: Yogyakarta, 1970), p. 184-185.

87 Panglaykim, "Some notes on the Development of Economic and Business Administration Education in Indonesia" in *De Economist*, Vol. 113, No. 4, 1965, p. 277-291.

88 The Liang Gie, *Bibliografi Ilmu Administrasi*, (Yogyakarta: Penerbit Karya, 1970), p. 184-185.

89 The Liang Gie, *Bibliografi Ilmu Administrasi*, p. 183 and 209-210.

The institutional expansion during the early Guided Democracy period necessitated greater participation of managers within the state and the economy and people followed the demand in kind. At the FEUI, the Executive Development Program, which was supported by the Ford Foundation, was launched in 1960 and formed a curriculum that was in line with the curriculum at the LAN. The focus was exactly on the problems associated with the lack of civil service authority, thus the preponderance on decision-making and leadership qualities as themes for managerial courses. The curriculum devised by the Executive Development Program in 1960 was to be in use up until 1965. Thus even at a curricular level, the period after 1961 represented no great development.[90] At Universitas Gadjah Mada, the formation of the Balai Pembinaan Administrasi or BPA peaked with its involvement in the Congress of the Science of Public and Business Administration held in 1961 with the cooperation of LAN.[91] LAN published over 25 books/booklets/reports between 1958 and 1963.[92]

A series of managerial courses were introduced by a variety of organizations. The Ministry of Industry, for instance, set up a School of Industrial Management starting in 1958. Copying the principles and curriculum of the Massachusetts Institute of Technology's School of Industrial Technology, the course provide a two-semester introduction on the modern firm and management in the first year, a second semester six class course for the second year and a third-year thesis. The aim of the course was to develop an approach to solving problems of the industrial firm in relation to industrial, economic and sociological issues. Courses include, among others, industrial management, economics of industry, physics, calculus, engineering drawing, machine elements, mechanical technology, personnel administration, industrial statistics, methods engineering, accounting, finance, marketing, industrial power engineering, fundamentals of electrical engineering, machine tools, applied mechanics, labour and management relations, labour law, business law, production management, statistical quality

90 Aminin Honggodjojo, "Curricula Implications in Management Education for Present and Future Needs" in Yip Yat Hoong (ed.), *Role of Universities in Management Education for National Development in Southeast Asia*, (Singapore: Regional Institute of Higher Education and Development, 1972), p. 213-225.

91 The Liang Gie, *Bibliografi Ilmu Administrasi*, p. 188.

92 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara, 1958-1963*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 40-41.

control, new enterprise planning, materials handling, plant maintenance, chemical technology, and a seminar and thesis.[93]

The number of managerial positions opened as a result of the expansion of government-owned companies is difficult to quantify. Within the field of agricultural estates, the nationalization of Dutch-owned companies had resulted in the *Indonesianization* of 2,300 managerial positions on 400 estates.[94] The production of professional, i.e. University-trained, managers did not keep up with the expansion. Atmosudirdjo reckoned roughly that if Universitas Gadjah Mada produced 100 graduates, Padjadjaran 30 graduates, LAN 50 graduates and Hassanudin 20 graduates, it would only amount to 200 managers, which was not enough.[95] In its eight-year history, by 1959 the FEUI produced only 60 economists, 55 business administrators and five accountants.[96] The limitation of the education system in producing professional managers meant that a large percentage of the managerial personnel came from other parts of society. Panglaykim had pared it down to six categories; including civil servants, military personnel and university graduates.[97] The majority of managers obtained schooling during the colonial period in general schools. Some of them were former teachers, civil servants or army personnel.[98]

The expansion of business management schools promoted the idea that managers should be educated in managerial sciences, but many of the management positions has already been taken by various groups who had prior education. Who were the Indonesian managers? According to Achmad Sanusi: "Sometimes he is drawn as an ideologist, a carrier of the people's wishes and a father faithful to his children. He does not have university

93 *Program Akademi Pemimpin Perusahaan, 1958-1959*, (Jakarta: Kementerian Perindustrian, n.a.), p. 3-15.

94 Everett D. Hawkins, "Indonesia" in Walter Galenson (ed.), *Labor in developing economies*, (Berkeley: University of California Press, 1962), p.117.

95 Prajudi Atmosudirdjo, "Masalah Pendidikan Ilmu Administrasi pada Perguruan2 Tinggi" in *Lapuran Umum Musjawarah Ilmu Administrasi Negara dan Niaga*, (Jakarta: Lembaga Administrasi Negara, 1962), p. 34.

96 Mohammad Sadli, *The structural and operational aspects of public (especially industrial) enterprises in Indonesia*, (Jakarta: s.n., 1959), p. 249.

97 Panglaykim, *State Trading Corporations in Indonesia*, p. 7-8.

98 Achmad Sanusi, *Manager: insentif dan motif putusannja. Satu perbandingan umum pada perusahaan2 di Uni Sovjet, Amerika dan Indonesia*, (Bandung: Universitas Bandung, 1964), p. 62-63.

education, but has had plenty of experience, and knows deeply the bitter laws of life. At other times, the image was of a youth, a students, who is trying and experimenting, conducting within a formalist fashion, still lacking skill in translating policies from theories and not clever enough to play the games according to the real ground rules. Sometimes, the manager takes on the image of the leader of society, who constantly manages his relation with those of government leaders, head of offices, which cooperates with and for businessmen lending his name and service."[99] Sanusi painted a picture of a rather politicized group of people; young, ideological and often influential in society.

Jamie Mackie's survey of agricultural estate companies in 1960-1961 has shown the extent to which the rise of the new managerial elite has resulted in the formation of new regional power structures. "Relatively powerless in central politics, the new managers appear to be an influential group in the *daerahs* (districts), particularly in those where there are close bonds of interest and affinity between them and the existing regional authorities, *pamongpradja* and Army officers. Thus, the divorce between political power and responsibility for production, which characterized the years 1950-57, has been remedied (in a uniquely Indonesian fashion) at the regional level."[100]

Regionalization has to be understood in the context of the expansion of the military into both the economy, as military managers, and the regional government as part of the application of the territorial management doctrine. Martial law also strengthened the territorial armies, which functioned almost

99 Achmad Sanusi, *Manager: insentif dan motif putusannja. Satu perbandingan umum pada perusahaan2 di Uni Sovjet, Amerika dan Indonesia*, p. 67. "Kadang2 ia tergambarlah sebagai seorang karyawan ideologist, pengemban amanat penderitaan rakjat, dan sebagai bapak jang setia kepada anak2nja. Ia tak berpendidikan universiter, tapi telah tjukup banjak makan garam, dan tahu betuk kenjataan hukum2 hidup jang pahit-getir sekalipun. Lain kali manager Indonesia tergambar sebaga tokoh muda, sardjana, jang sedang membuat eksperimen2, masih banjak formalism, belum handig lagi membuat satu policy dari satu teori, dan belum lagi pandai main "the games according to the real ground-rules". Kadang2 manager kita tergambar lagi sebagai symbol tokoh masjarakat, jang pernah dan terus memperhatikan banjak relasinja dengan pimpinan pemerintahan, djawatan2, jang bekerdja-sama dengan, atau untuk, pengusaha2 jang memindjam nama dan djasa2nja itu. Betapapun sifat2 itu jang lebih sesuai, manager di Indonesia pun dipandang umum sebagai satu golongan elite jang kedudukan ekonomisnja lebih tinggi, dan hidupnja jauh lebih mewah daripada rata2 penduduk biasa, bahkan djuga dapat mempengaruhi djalan pelaksanaan politik pemerintah atau djawatan2."

100 J.A.C. Mackie, "Indonesia's Government Estate's and Their Masters" in *Pacific Affairs*, vol. 34, no. 4, winter, 1961-1962, p. 339-340.

within a federalist fashion and "there was often a close cultural affinity, an identity of conservative interests, a shared distaste for the political parties, and a sense of mutual support between army men and the elite corps of pamongpraja."[101] This 'federalization' of the region under military rule resulted in a significant restructuring of the state. "Already identified with their provinces, army commands hyperactively and over-optimistically undertook to fulfil local demands for the economic development which civilian government had been unable to accomplish."[102] The development of a military-cum-expert planning structure, within what was to become the Bappenas planning structure, provided the answer to the question of the problem of decentralization. The formation of the *Pantja Tunggal*, a regional power structure in which the executive and planning decision-making process was entrusted to, initially four, called the *Tjatur Tunggal*, then five regional executives: the governor or head of the region, head of the regional military or Kodam, head of the prosecutor's office (*kejaksaan tinggi*), head of regional police or Komdak and head of the regional air force (*komando regional udara*). The structure would be renamed the Bakopda or Regional Coordinating Development Board and renamed again in 1967 as the Muspida or Regional Development Council.[103]

It is difficult to understand the development of the 1950s without referring to the managerial explosion of the early 1960s. The expansion could be understood also as a greater participation of those new generations of educated experts that had begun streaming into Indonesian society in the late 1950s. A discourse on development and efficiency thus began to take shape. This occurred not only at the upper managerial levels, but on practically all managerial levels, including the factory shop-floors and the plantation industry. This could be seen in the manager training of the Ministry of Labour and the import of the *Training Within Industry* program.[104] But behind the expansion was a major problem, which the 'science of management' could do little to solve. Increasingly, the roots of Indonesia's managerial woes were to be blamed on the Indonesian culture and its lack of leadership quality. This

101 R.E. Elson, *Suharto, a Political Biography*, (Cambridge: Cambridge University Press, 2001), p. 61.

102 Daniel Lev, *The Transition to Guided Democracy: Indonesian Politics, 1957-1959*, p. 63.

103 Ateng Syafruddin, *Musyawarah Pimpinan Daerah*, (Bandung: Wiyana Mukti, 1990).

104 TWI program. ANRI, Jakarta, Mohammad Bondan, Inv. Nr. 734, 735 and 736.

realization during the Guided Democracy period may partially explain why there was a sudden decrease in interest in management science after 1962.

Public Administration, Welfare State and Guided Democracy

It is necessary to understand the extent to which the 'ideologies' behind public administration and Guided Democracy was compatible and thus helped each other in bringing about the rise of a corporatist, centralized, executive-dominated state. In order to understand this, one of the most important textbooks on Indonesian administrative law, written by the pro-Sukarnoist, legal specialist and PNI-member Ernst Utrecht, is analyzed.[105] The major documents of the Guided Democracy and Guided Economy is consulted; those collected within the Seven Basic Indoctrination texts.[106] During the inaugural address of the LAN, its head Prajudi Atmosudirdjo stated:

> "The formation of this LAN by the government signals the wish to speed up the change in the spirit (*djiwa*) of our civil servant, which currently is only a laughing stock of society. This is the change from a civil servants that "merely follows the rules" to a new Indonesian civil servant, one which has an entrepreneurial spirit, which embodies the spirit of the "managers of the state" or "public managers", full of personal initiative and a dynamic mind-set in their effort to increase their work productivity, the national capital productivity, to reach the highest welfare of the people and state, in as little time as possible."[107]

Even more significantly the change in the spirit of the civil service was part of the underlying spirit of the Guided Democracy and that of the New Order state itself.

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105 Ernst Utrecht, *Administrasi Negara Indonesia*, (Jakarta: Ichtiar, 1962).

106 *Tudjuh Bahan Pokok Indoktrinasi*,

107 *Pantjawarsa Lembaga Administrasi Negara*, (Jakarta: Lembaga Administrasi Negara, 1963), p.10. "Dengan mendirikannja Lembaga Administrasi Negara ini Pemerintah ingin mempertjepat proses perubahan djiwa pegawai2 negeri kita, jang pada masa ini masih selalu mendjadi edjekan masjarakat, jaitu perubahan dari pegawai negeri jang "hanja mendjalankan peraturan" sadja kepegawai negeri Indonesia Baru, jang mempunjai entrepreneurship dan leadership, jang berdjiwa sebagai "managers of the state" atau "public managers" jang penuh inisiatif sendiri serta berdjiwa dinamis dan jang selalu berusaha untuk mempertinggi produktivitet kerdja, produktivitet mode nasional dan sebagainja, guna mentjapai kemakmuran Bangsa dan Negara jang se-tinggi2nja dalam waktu jang sesingkat2nja…"

> "…the duty of this organization is to implement a government decision that is revolutionary in character. The decision of the government to create the LAN meant that the government was serious in creating 'public administration' in Indonesia and represented an important caesura in the history of our government. With this decision, we leave behind the 'law-based state' doctrine that we have inherited from the Dutch, and, without forgetting the law, we are on our way to becoming an 'administrative state,' which is the most modern governmental idea, whereby the state is seen to form as a sort of corporation (*ondernemingsvorm*). In comparison, the 'law-based state' saw the state as merely a juridical-formal body. In a 'law-based state' the main purpose of the government is to keep 'peace and order,' while in an administrative state,' the government actively conduct efforts to increase the welfare of the people and the state. In other words, with this government decision, we decidedly move from a 'legal state' toward an 'administrative state on a legal basis'…"[108]

There was thus a deep contradiction between the rise of the welfare state or in Atmosudirdjo's word, the administrative state, within the traditional and 'liberal' forms of political democracy. In fact, the shift toward an administrative state was stated as leaving behind *triaspolitica* and the separation of power that had been the prime model of Western democracy since the French and American Revolutions and which had been reflected in the 1950 Indonesian 'liberal' constitution. The 'liberal' *triaspolitica* state was a night-watch state, which focused on the application of the law. In fact, Montesquieu's idea was based on the effort to deny the possibility of state tyranny and ensure the liberty of the individual citizen. Yet, as Atmosudirdjo

108 *Pantjawarsa Lembaga Administrasi Negara*, p.10. "…tugas Lembaga ini merupakan pelaksanaan dari suatu Keputusan Pemerintah jang bersifat revolusioner. Keputusan Pemerintah untuk mendirikan Lembaga Administrasi Negara jang berarti, bahwa Pemerintah setjara tegas hendak membangun "Public Administration" in Indonesia, adalah suatu titik-perubahan pokok didalam sedjarah kenegaraan kita. Dengan keputusan tersebut kita meninggalkan azas "Negara Hukum" jang kita peladjari dari Belanda, dan dengan tidak meninggalkan hukum itu kita sekarang sedang menudju kesuatu "Negara Administratif", jaitu pandangan kenegaraan jang paling modern, dalam mana negara itu dipandang sebagai salah satu bentuk pengusahaan (Ondernemingsvorm), sedang didalam rangka pandangan "Negara Hukum" kewadjiban pokok dari Pemerintah hanjalah memelihara "keamanan dan ketertiban", sedangd idalam "Negara Administratif" Pemerintah ikut aktif menjelenggarakan usaha2 untuk memperbesar kemakmuran masjarakat dan Negara. Dengan perkataan lain, dengan keputusan Pemerintah itu kita lebih tegas lagi menudju dari "Legal State" ke "Administrative State on Legal Basis"…"

has reiterated above, it was the policy of Guided Democracy to create a corporate state. Individual liberty was traded for the completion of revolution and development.

There are several ideas related to the Guided Democracy state in relation to this constitutional reordering. The root of the failure of 1950s development was pointed out, quite correctly, as a problem of planning and coordination. Sukarno attributed this to the inherent chaos that liberalism had induced. The fact that seven governments existed between 1950 and 1957 certainly strengthened that accusation. According to Sukarno, the only way to solve this problem was to finish off the Indonesian revolution. There were several obstacles that needed to be overcome if this were to be accomplished. First, Indonesia needed to eliminate the dualism that coloured governance in the 1950s, between the 'government' and the 'revolutionary leaders'. Sukarno pointed out that as a result of the compromise taken in 1950, i.e. the Round Table Conference and the rule of the social democrats, "Our earth became fertile for the growth of all types of conventional, conservative, reactionary and contra-revolutionary and liberal ideas."[109]

These 'contra-revolutionary, reactionaries', i.e. the social democrats, the PSI and economists such as Sumitro Djojohadikusumo, had taken over the country and divided the government from its leadership. "The head of the revolution is separated from the head of government. The head of the government in fact weakens the head of the revolution. He becomes nothing more than a "stamp machine". He often clashes with the ideology of the head of government. He has been "trias-politica-ized" not only within the executive. He has become *Togog*.[110] This, according to the supporter of the system, is said to be the highest of wisdom within democracy. Yes! Liberal Democracy! Dutch Democracy! The democracy of the Western States, whose democracy was born to the mother of middle class capitalism (*burgerlijkkapitalisme*)."[111] This was an unconventional revolution and as

109 Sukarno, *Manifesto Politik Republik Indonesia*, p. 19. "Bumi mendjadi subur untuk bertumbuhnja segala matjam aliran konvensionil, konservatif reaksioner dan kontra-revolusioner serta liberalism."

110 Character in the Wayang shadow play, son of Semar who had failed to be born, i.e. his power was denied to him.

111 Sukarno, *Djalannja Revolusi Kita (Djarek)*, p. 38-39. "Pimpinan revolusi dipisahkan daripada pimpinan pemerintahan. Pimpinan Revolusi malahan dilumpuhkan (diverlamd-kan) oleh pimpinan Pemerintahan. Ia kadang-kadang didjadikan sekedar "tukangstempel". Ia sering sekali tabrakan faham dengan pimpinan Pemerintahan. Ia di-"triaspolitica"-kan bukan sadja,

a result, requires unconventional means. "It cannot be solved with means taken from the decrepit warehouse of liberalism. It cannot be solved with the means written in the textbooks of yore."[112]

Sukarno was certainly quite adamant that his revolution was 'modern' and in this regard, he considered the changes brought about by the revolution to be both modern and anti-liberal. This cleansing of the contra-revolutionary was to be applied with what was called retooling, a managerial strategy in which people were to be evaluated on basis of their position in the revolution and replaced accordingly. The revolution would only allow those that are pro-revolutionary to participate. As we will see, this type of action would be a significant part of the Guided Democracy state and a whole slew of institutions would be created in order to achieve the goals of retooling.

Second, the Indonesian revolutionary leadership needed to pool together the 'funds and forces of the people.' Sukarno understood that as a result of modern technological changes, the nature of participation had changed profoundly. "In this twentieth century, with sophisticated communication technology, every revolution is a people's revolution, a mass revolution, not like those of the previous centuries, where the revolution is often times limited to the upper classes, the revolution of the ruling few."[113] Thus, there was an historical inevitability and an almost scientific and natural character of the revolution in question. It was a revolution that was present in three-quarters of humanity. "Look and observe! A state that does not mature in a revolutionary fashion will not only be crushed by its own people, it will be swept clean by the universal revolutionary typhoon that is the most

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tetapi dalam bagian eksekutif daripada triaspolitica itupun ia sekedar didjadikan sematjam togog. Ini, menurut pentolan-pentolan sistim itu, dinamakan "hoogstewijsheid" dalam alam demokrasi. Ja! Demokrasi liberalisme! Demokrasinja Belanda! Demokrasinja negara-negara Barat, jang an sich demokrasi disana itu adalah anak-kandung dan ibu kandung daripada burgerlijk kapitalisme."

112 Sukarno, Penemuan kembali Revolusi kita. Pidato Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1959, p. 73. "Ta'dapat ia diselesaikandengan tjara-tjara jang keluar dari gudang-apeknja liberalisme. Ta dapat ia diselesaikan dengan tjara-tjara jang tertulis dalam text-booknja kaum sardjana dari zaman baheula."

113 Sukarno, Penemuan kembali Revolusi kita. Pidato Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1959, p. 72. "Dalam abad ke-XX ini, dengan ia punja teknik-perhubungan jang tinggi, tiap revolusi adalah revolusi Rakjat, revolusi Massa, bukan sebagai diabad-abad jang lalu, jang revolusi-revolusinja adalah sering sekali revolusinja segundukan manusia-atasan sadja – 'the revolution of the rulling few.'"

significant phenomenon of the present age."[114] The revolution was thus not only modern, but also in time with global changes, i.e. it was international.

The importance of participation of the mass was described succinctly in the form of participative development that Guided Democracy promised. This was especially relevant for the creation of the national plan through the 'corporative' planning agency of the Depernas. "Universal development cannot succeed without mobilizing universal work. The revolution cannot work without the participation of the people in it."[115] In order for this to work, the relationship between the administrator and the mass had to be profoundly changed. "I stressed this in my Political Manifesto speech about the summoning of the energy and passion of the people because many of the people within the state apparatuses – the people with noble qualities – do not understand the meaning of mass energy and mass passion, and in fact suffer from a phobia of the mass and the people. The spirit of these nobleman and noble women must be cleansed and destroyed, so that the Revolution can continue as a People's Revolution and thus reach an optimal level of efficiency!"[116]

Sukarno's visit to China in 1956 must have had an important influence in forming this picture of a united people working together under the guidance of revolutionary leadership. "Differing from other countries in Asia, the People's Republic of China has based its development on collectivism and foreign development experiences that are attuned to concrete conditions

114 Sukarno, Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia padahari Proklamasi 17 Agustus, 1960, p. 38. "Lihat dan perhatikan! Suatu Negara jang tidak bertumbuh setjara revolusioner, tidak sadja akan digilas oleh Rakjatnja sendiri, tetapi djuga nanti akan disapu oleh Taufan Revolusi Universil jang merupakan phenomenon terpenting daripada dunia dewasa ini."

115 Sukarno, Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960, p. 72. "…sebab pembangunan semesta ta' mungkin berdjalan penuh tanpa ikut-ber-Revolusinja seluruh Rakjat."

116 Sukarno, Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960, p. 72-73. "Saja mengulangi bagian pidato Manifesto Politik jang mengenai penggalangan tenaga dan semangat massa Rakjat ini in extensor (dengan lengkap), oleh karena masih banjak orang-orang dalam kalangan aparatur Negara – orang-orang dengan kwaliteit ndoro-ndoro dan djuragan-djuragan, wanita-wanita dengan kwaliteit den-adjeng den-adjeng dan den-aju-den-aju – jang tidak mengerti artinja tenaga massa dan semangat massa, bahkan menderita penjakit massa-phobi dan Rakjat phobi, jaitu takut kepada massa dan takut kepada Rakjat. Djiwandoro dan djiwa den-aju itu harus kita tjutji sama sekali dan harus kita kikis samasekali, agar supaja Revolusi dapat berdjalan benar-benar sebagai Revolusi Rakjat, dan oleh sebabnja berdjalan seeffisien-effisiennja pula!"

and the history of China itself."[117] According to Sukarno, China had implemented a developmental program that was contextualized within the history, culture and character of the nation. China's industrialization program has mesmerised him during his visit to the country. Industrialization was driven not through foreign investment but through revolutionary reordering of the productive powers of society, which appealed to him immensely. It was perhaps no coincidence that Mao's Great Leap Forward occurred in just about the same period as Sukarno's Guided Democracy.[118]

Third, it was a planned and coordinated revolution. This planned nature of the revolution was essential. "Planning is an absolute requirement for the implementation of socialism! Planning in its implementation could then be separated between Guided Economy and Guided Democracy."[119] It was a planned political, economic, social, cultural and mental activity. The people through such organization as the Depernas created the plans, but its implementation was to be guided by the revolutionary leadership. This was the last but perhaps one of the most important components. For in order for the revolution to succeed, it had to be guided by a leadership. "In the absence of leadership, without the provision of planning in each of the complex part of the revolution, then we would reach, as I have said before, a multi-complex chaos."[120]

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117 Sukarno, Amanat Pembangunan Presiden. 28 Agustus 1959, p. 11. "Berlainan dengan beberapa Negara dibenua Asia, maka Republik Rakjat Tiongkok mendasarkan pembagnunannja kepada kolektivisme dan pengalaman-pengalaman pembangunan diluar negeri jang disesuaikan dengan keadaan dan pengalaman jang kongkrit di Tiongkok sendiri."

118 In comparison to the failure of Guided Democracy, the Great Leap Forward was successful at least in the ability of the Chinese Communist Party to mobilize the people. This, of course, resulted in a massive tragedy as the indigenous industrialization process resulted in the loss of lives of millions. It may perhaps have been a lucky thing for Indonesia to have had such a weak bureaucracy, for the state couldn't be made to implement massive programmes that would have been prone to violence even if it had wanted to.

119 Sukarno, Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960, p. 59. "Perentjanaan Pola, atau Planning, adalah satu sjarat mutlak bagi pelaksanaan Sosialisme! Planning itu nanti dalam pengkarjaannja mendjadilah wahananja Ekonomi Terpimpin dan Demokrasi Terpimpin."

120 Sukarno, Amanat Presiden tentang Pembangunan Semesta Berentjana. Sidang Pleno Depernas 28 Agustus 1959, p. 60. "Djikalau tidak diberi pimpinan, tidak diberi planning dimasing-masing bidang dari kompleksiteit daripada revolusi ini, maka kita achirnja sebagai tadi sudah saja katakan, dating kepada kompleksiteit kekatjauan."

The root of the revolution was thus predicated on the changing nature of the relationship between the people/masses and its leadership. It was a change that was determined by the shift in the purpose of the state. It was paradoxical to a certain extent, for it was predicated on the incorporation of the masses to participate within the revolution, but also assumed control of the revolutionary leadership. The root of the revolution thus shared its source from the democratic expansion of participation. "The foundation and goal of the Indonesian Revolution is congruent to the social conscience of man! Social justice, individual freedom, national freedom and other forms of the expression of the social conscience of man."[121] It was a goal that was espoused by Sukarno during the formation of Indonesia's national ideology and principles, Pancasila, in 1945. "It is not a Western Democracy, but a political-economic democracy, a political democracy with social justice (*socialerechtvaardigheid*), a democracy with welfare; those two notions I squeeze into one. This is what I have always called a socio-democracy."[122]

This focus on social justice and welfare that was promoted through the state was contrasted with a liberal notion of statehood. And in this regard, the root of the constitutional changes that was promoted by Sukarno was justified. For in order to allow the state to actually act on ways that would promote social justice and welfare, it required the ability of the executive to act outside the bounds that had been set up within the separation of power. "The granting of 'freies Ermessen'[123] to the state administration meant that some of the power held by the Parliament, by the legislative body, is transferred to the hands of the government, the administration, as the executive body. This is something that occurred in all 'welfare states' as a logical consequence of the implementation of said 'welfare state', by expanding executive power, it gives birth to a guided democracy as a system of government of the welfare

121 Sukarno, Penemuan Kembali Revolusi Kita. Pidato Presiden RI pada Hari Proklamasi 17 Agustus 1959, p. 41. "Dasar dan tudjuan Revolusi Indonesia adalah congruen dengan Social Conscience of Man itu! Keadilan sosial, kemerdekaan individu, kemerdekaan bangsa dan lain sebagainja itu adalah pengedja-wantahan daripada Social Conscience of Man itu."

122 Sukarno, Lahirnja Pantjasila, 1947, p. 29. "Dan Demokrasi jang bukan demokrasi Barat, tetapi politiek-economische democratie, jaitu politieke democratie dengans ocialerechtvaardigheid, demokrasi dengan kesedjahteraan, saja peraskan pula mendjadi satu. Inilah jang dahulu saja namakan socio-democratie."

123 Discretionary power or *pouvoir discretionaire* or *beoordelingsvrijheid*. It has become an essential component in Indonesian administrative legal theory.

state."[124] This executive expansion was a worrying aspect of the administrative state in relation to democracy and it was something that had been bothering people both in the West and in Indonesia. "Differing from the narrow definition of the legal state (Kant, Fichte), the 'idea of the modern legal state does not emphasize the law (positive law), but on the goal of social justice (*socialegerechtigheid*) to all citizens. If necessary, the state can act *outside* of the law in order to reach that social justice."[125] The 'welfare state' thus expanded the discretionary power of the executive.[126]

In fact, leaving behind *trias politica* was a phenomenon transcending the ideological divide of the Cold War. In his discussion on public administration, Utrecht discussed the various new ideas surrounding the shift from a separation of power to a separation of function. "The separation was present in three famous American experts who have studied about 'government' and 'public administration', Woodrow Wilson, Frank Goodnow and Herman Finer."[127] Obviously the rise of the welfare state in the West had not resulted in the rise of military dictatorships. Sukarno was adamant that the revolution was essentially democratic and its roots were also democratic; he saw its genesis to be Western but more inherently perfect, claiming antecedent toward both the French and American bourgeois revolution and the Marxist Russian revolution. It was a better revolution because it was one

124 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 23. "Diberinja 'freies Ermessen' kepada administrasi negara itu sebenarnja berarti bahwa sebagian kekuasaan jang dipegang oleh dewan perwakilan rakjat, sebagai badan *legislatif*, dipindahkan kedalam tangan pemerintah, administrasi negara, sebagai badan *eksekutif*. Hal ini mendjadi kenjataan ditiap-tiap "welfare State" sebagai suatu konsekwensi logis dari diadakannja "welare State" itu: supremasi badan legislatif diganti oleh *supremasi badan eksekutif*! Ekonomi terpimpin, sebagai sistim perekonomian 'welfare State', - sebagai suatu konsekwensi logis – memperbesar kekuasaan eksekutif, melahirkan demokrasi terpimpin sebagai sistim pemeritahan 'welfare State'."

125 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 35."Berlainan dengan "idee" negara hukum dalam arti kata sempit (Kant, Fichte), maka dalam "idee" negara hukum modern titik-berat pada pokoknja tidak terletak pada "hukum" (hukum positif), tetapi pada tudjuan mentjapai keadilan sosial (sociale gerechtigheid) bagi *semua* warga negara. Apabila perlu, negara djuga boleh bertindak *diluar* hukum untuk dapat mentjapai keadilan sosial bagi semua warga negara itu."

126 Some legal experts put the end of the law-based state when Sukarno gave ministerial status to the head of the Supreme Court in 1961. A.M. Reksohadiprodjo, *The relations of law and economic development: with special reference to Indonesia*, (The Hague: Institute of Social Studies, 1969), p. 33.

127 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 34. "Pembagian tersebut terdapat dalam tiga ahli terkemuka bangsa Amerika Serikat jang mempeladjari "Government" dan "Public Administration", jaitu Woodrow Wilson, Frank Goodnow dan Herman Finer."

that combined the best parts of both revolutions; it was not capitalist nor was it atheistic. Yet, there was no doubt that leaving behind the separation of powers, alongside the decimation of the legislative body and its party elements, signalled a significant lurch toward the creation of a military dictatorship. Even if the Guided Democracy never became an outright dictatorship, it did provide its principles and groundwork.

It is also important to understand that the foundation of the Guided Democracy and Guided Economy state, Indonesia's constitutional ideology, did not particularly conflict with the ideas surrounding the rise of the administrative state. The Presidential Decree 1959 was issued outside the bounds of the constitution but was justified as a "logical consequence to the implementation of a welfare state (guided democracy)"[128] in order to create executive supremacy above the legislative body. Sukarno used Article 22 of the 1945 Constitution (or Article 96 of the 1950 Constitution), which allowed for the creation of a Government Regulation in lieu of the Constitution (*peraturan Pemerintah pengganti undang-undang* – p.P.p.u.u.) justified in 'situation of forced emergency.'[129] Instead, it justified the ending of parliamentary democracy through attacking liberal straw men. Guided Democracy was a social philosophy that went with the times, whereas liberalism was painted as something that was conservative and un-modern. The only difference was that it was to be a managerial state that was at the same time revolutionary. The argument shown above was congruent with the arguments discussed in Chapter One; the 1928-generation was now being garbed as the 'revolutionary leadership.'

As a result, the rise of the Guided Democracy state was not incompatible with the development in public administration that had occurred during the 1950s. The LAN was to occupy a relatively important position during the period, although it failed in taking over the leadership in the development of Indonesian public and business administration education.[130] It was not predicated on any form of East-West divide, rather on an almost mythical divide between liberalism and socialism that, especially during the period in question, was at best a moot, academic discussion. As Utrecht's discussion on

128 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 26.

129 Ernst Utrecht, *Administrasi Negara Indonesia*, p. 23.

130 Djuna Hadisumarto, *The Indonesian Civil Service and its Reform Movement*, (PhD Dissertation Indiana University, Bloomington, 1974), p. 182-183

the rise of the public administration in Indonesia shows, its roots were entirely Western, i.e. American. Utrecht did discuss on the German and Dutch case and their own 'Americanization' during the period, especially the thoughts of the Dutch legal specialist O.M. Donner and the management specialist Gerrit van Poelje.[131] As we will see in a later chapter on the economy, we see again the weakness of understanding the Guided Democracy experiment through an East-West lens or as a Capitalist-Communist divide.

Legal Culture and Democracy

The conflict between democracy and efficiency was the main divider between what Waldo, writing in the 1940s, termed 'progressives,' who advocated planning, and the 'old-liberals' who believed that efficiency could only be had if more democracy were introduced. "They knew that the Future must well up from *below*. In opposition were those whose patience was exhausted waiting for the Promise of American Life to realize itself by natural and inevitable means, whose view of human nature was not so charitable and who had no faith in the devices of primitive democracy, who had begun to think of planning and who realized that builders need tools."[132] The roots of this ambivalence toward democracy were partially based in the disdain the manager had toward the legal process. "The anti-legal temper of public administration is obvious and its import clear. In fact, one does not need to go far in the literature of public administration to find that if any person is to count for less than one in the New Order it is the lawyer! The lawyer suffers from a meager social outlook, the spirit of the New Management does not abide with him…"[133]

Yet, the image of the Welfare State was exemplified by the success stories of Western European and North American democracies. The Welfare State became the symbol of the success of the West. There was no doubt that people

131 Donner's idea understood in Indonesia as dwipradja divided the government on a functional approach as those that determine the function of government duties (*taakstelling*), i.e. policy makers, and those that implement the duties (*verwezenlijking van de taak*). This was in line with Woodrow Wilson's division of Government as the political arm that determine policies and Public Administration as those that implement the policies in question.

132 Dwight Waldo, *The Administrative State, a Study of the Theory of American Public Administration*, p. 18.

133 Dwight Waldo, *The Administrative State*, *a Study of the Theory of American Public Administration*, p. 79.

like Waldo, Burnham[134] or Redford[135] who had ruminated on the potential autocratic nature of the state in question, saw this inherent problem between individualism, democracy and the Welfare State. In fact, many of the analyses of public administration in the United States focused on reconciling the problem between the ideals of individualism and democracy and expansion of an efficient state.[136]

Daniel Lev, in discussing about legal culture, pointed to fundamental assumptions about distribution and the use of resources, social rights and so on. These ideological themes were often expressed in polar opposites: personal freedom versus authority, private ownership versus public ones, decentralization versus centralization and so on.[137] These assumptions were important determinants of the legal culture of a society and this in turn determines the efficacy of the judicial institution in playing a role in said society. As such, the strength of the Indonesian commitment to the rule of law was related to the state-society ideology that the nation prescribed itself. In this case, it could be argued that American values of individualism, rooted in a tradition of economic independence, allowed for critical opposition that functioned to check the expansion of the administrative state. This 'liberal' opposition was practically non-existent in Indonesia. As we will see, Western-educated social scientists and economists supported the corporative, familial, thus anti-individual, state-society relations. With perhaps the exception of a small group of intellectuals around the indomitably democratic Sjahrir, there seemed to be little support for liberalism, individualism and the many trappings of Western democracy.

Lev has discussed the reduction of legal culture at an institutional level and Pompe in relation to the loss of authority of the Supreme Court.[138] Even a legal specialist like Ernst Utrecht, who tried to argue the relevancy and importance of at least administrative law, as was depicted above, did not particularly posit the rule of law as an inherently central component

134 James Burnham, *The Managerial Revolution*.

135 E.S. Redford, *Democracy in the administrative state*, (New York: Oxford University Press, 1969).

136 For instance, E.S. Redford, *Democracy in the administrative state* and F.C. Mosher, *Democracy and the public service*, (New York: Oxford University Press, 1968).

137 Daniel Lev, *Legal Evolution and Political Authority in Indonesia*, (The Hague: Kluwer Law International, 2000), p. 162.

138 Sebastiaan Pompe, *The Indonesian Supreme Court. A Study of Institutional Collapse*, p. 35-76.

of democracy. Although he relied heavily on Dutch legal authorities, in relation to the discussion on Indonesia, Marxist legal ideas cropped up significantly. Similar to the Communist's attack on the economic science taught by 'Sumitro-followers,' the Marxist legal approach was to see the law as inherently bound up within the class struggle. The law did not spring forth from a natural source, but was created by the ruling class in order to legitimize and prolong their control.[139] Jusuf Aditjorop, member of the *politbureau* and secretary of the PKI, said that the main issue for national law was "how to integrate the work of the legal specialist with that of the masses."[140]

Rule of law was considered a bourgeois belief that masked the class roots of the law under objective and neutralist notions. "The theory about the law and the state that is formalistic, logical-formal-abstract, instructs the creation of the law for the 'vested interests', to maintain a state without justice (Staat ohne Recht)."[141]As such, it was important that the law be revolutionized in order to reflect the changing values of its new ruling class. The role of national law was to raise the awareness of Indonesian socialism, *gotong rojong* values and push for more equitable production methods for a just society.[142] Utrecht was a member of the National Law Development Institute (*Lembaga Pembinaan Hukum Nasional*) created in 1958 as part of the Guided Democracy revolution. In a National Law Seminar held in 1963 by the Institute, Suprapto a legal specialist explained the idea of the law as understood under Guided Democracy.

> "Until now the influence of formalism on a theory of law based on static, abstract way of thinking, narrow formal logics, which is known as "beslissing leer", "theorie van stelligstaatsrecht" and so forth cannot be fully cleansed from the science of Dutch legal knowledge. Basically, these theories intends to separate the law from the relation to the entirety of the social and individual life with all its myriad forms, which affects and is affected by one

139 Ernst Utrecht, *Pengantar Hukum Indonesia*, (Jakarta: Ichtiar, 1964), p. 230 and 306.

140 Jusuf Aditjorop, *Peranan dan tugas2 hukum nasional dalam alam Manipol*, (Jakarta: Jajasan Pembaruan, 1963), p. 6.

141 Suprapto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, (Jakarta: Lembaga Pembinaan Hukum Nasional, 1963), p. 8."…teori tentang hukum dan negara jang formalistis, logis-formil-abstrak, itu mengadjarkan untuk menegakkan hukum bagi kaum "vested interest", untuk mempertahankan negara tanpa keadilan (Staat ohne Recht)."

142 Suprapto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, (Jakarta: Lembaga Pembinaan Hukum Nasional, 1963), p. 15.

another, always moving and contradicting, with its own dynamics of change through the process of evolution and revolution and creating qualitative and quantitative exchanges. The theory of law that says that the law is the result of the abstraction of decision made by officials appointed by the state, and that the state is merely an organization composed of a series of functions, is a formalism needed by the colonialist to protect the vested interest of the monopolist and feudalist, of the landlords and other bloodsuckers."[143]

Individualism was seen as anathema to the ideals of Indonesian society. According to Lev, the roots of this was born during the early period of independence, when institutional continuity with the colonial state had to be maintained because the new state could be held only through the conservative *Pangreh Praja/Pamong Praja* corps.[144] During the constitutional discussion in 1945, which gave birth to the national ideology, the conservative nationalist leadership chose the indigenous legal code (HIR) as opposed to the European legal code. The HIR had less provision to protect the legal subjects. According to Lev, the logic of colonial law "had mainly to do with maintaining a manageable mass of Indonesians in place."[145]

During the Japanese occupation, many of Indonesia's nationalist leaders had worked in the administration. In a meeting with Sukarno, the head of the military ruler in Java, General Imamura, personally supported the

143 Suprapto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, (Jakarta: Lembaga Pembinaan Hukum Nasional, 1963), p. 7. "Sampai pada saat ini masih belum dapat dihapuskan seluruhnja pengaruh formalisme daripada teori hukum jang didasarkan pada tjara berfikir abstrak jang statis, logika formil jang sempit, sebagai jang terkenal dengan nama "beslissingen leer", "theorie van stellig staatsrecht" dsb. Dari dunia ilmu pengetahuan hukum Belanda. Dalam hakekatnja teori-teori tadi hendaknja melepaskan hukum dari hubungannja dengan keseluruhan kehidupan masjarakat dan individu dalam berbagai-bagai seginja, jang saling berhubungan dan saling mempengaruhi, jang senantiasa bergerak dan saling berkontradiksi dan jang dengan dinamikanja sendiri berobah melalui evolusi dan revolusi, dengan menimbulkan pertukaran kwalitas dan kwantitas. Teori hukum jang mengadjarkan, bahwa hukum adalah hasil pengabstrakan dengan pikiran dari keputusan-keputusan jang dibuat oleh pedjabat-pedjabat jang ditundjuk oleh negara dan negara tak lain hanjalah suatu organisasi jang terdiri daripada rangkaian fungsi-fungsi adalah suatu bentuk formalisme jang diperlukan oleh kaum pendjadjah untuk mempertahankan "vested interest" kaum modal monopoli dan golongan feodal, golongan tuan tanah dan kaum penghisap lainnja."

144 Daniel Lev, *Legal evolution and political authority in Indonesia. Selected Essays*, p. 28-29.

145 Daniel Lev, *Legal evolution and political authority in Indonesia. Selected Essays*, p. 19.

employment of as many Indonesians within the government as possible.[146] Perhaps one of the most significant effects of Japanese occupation has been the promotion of a world-view based on a deep and inherent suspicion and dislike of Western imperialism and its replacement with a corporatist economic order. One that placed the 'Eastern' concept of the family as a governing principle in understanding state-society relations. *Hakko Ichiu* is Japanese for the *family of nations* and represent a total break against Western imperialism and the ideologies that was inherent in it; economic liberalism, humanism, democracy, the parliament and *laissez faire*."The New Economic Order now being announced is based upon this spirit of pioneering nations and is a moral economics with a framework of service and neighborly cooperation. The philosophy of total pursuit of profit clearly opens the way for the aggressor and is the guiding principle of individualistic Jewish economics which creates divisions and antagonisms among the oppressed."[147]

No doubt that both Marxist ideas imbibed during the colonial period and Japanese notions of *Hakko Ichiu* and total mobilization of the population for development purposes was probably present in determining the Guided Democracy revolution. It was significant exactly for its anti-liberal roots. The hostility shown by youth groups during the early years of independence damaged the legitimacy of this new ruling class, at least temporarily.[148] The manoeuvre of the democrat Sjahrir in implementing a parliamentary democracy based on the political party system started a long, 'liberal', social democracy that had lost its steam by the middle of the 1950s.[149] The significance American social science, especially public administration and business management, was that within its philosophy of efficiency, there also lay an anti-liberal tendency. The rise of the managerial elite and its ideology was thus also important because it supported the corporatist ideology that was being espoused by Sukarno.

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146 Mitsuo Nakamura, "General Imamura and the early period of Japanese occupation" in *Indonesia*, Vol. No. 10, October 1979, p. 1-26.

147 On the basic objectives in establishing a New Economic Order for the people of Java (*Jawa jumin keizai shintai seiken setsu no kompon shushini tsuite*) in Harry J. Benda, James K. Irikura and Koichi Kishi, *Japanese military administration in Indonesia: Selected Documents*, (Ithaca: Southeast Asia Studies, 1965), p. 113.

148 Benedict R O'G Anderson, *Java in a Time of Revolution*, (Ithaca: Cornell University Press, 1972), p. 334.

149 Sjahrir also attacked the *pamongpradja* and the 'collaborationist' nationalist elites. Anthony Reid, *The Indonesian National Revolution,* p. 68-70.

Conclusion

The ideological development of the 1950s is essential in understanding the changes that occurred starting in the late 1950s as the Guided Democracy. The process of Americanization had inadvertently led to the import of scientific management, whose Indonesian incarnation prompted an ideological shift. This allowed the rise of a pre-independence corporatist notion, which had been written into the earlier 1945 Constitution to join forces with the efficiency mantra that powered the interest toward scientific management. This resulted in the reordering of state-society relations congruent with corporatism and the idea of the Welfare State.

The rise of a new Indonesian managerial class was a component for the structural changes that occurred with the creation of national planning. The expansion of these new managers-graduates of the management education provided during the decade, military officers who had obtained managerial posts within the government and the economy-required the reordering of the economy and the wider society. In order to do this, a national planning scheme was created as part of the Indonesian revolution. It is to this national planning and structural transformation that the next chapter focuses its attention on. It is an essential component that complements the changes in ideas that was inadvertently introduced as a result of the expansion of scientific management into the country.

CHAPTER V

Economic Planning during the Guided Democracy

This chapter discusses the development of the institution of national planning during the Guided Democracy and its increasing role in integrating the state within this structure. The succession of national planning organizations created by the state-initially in the Depernas or State Planning Board (*Dewan Perantjang Nasional*) which had been in operation from 1959 until the rise of the Bappenas (*Badan Perantjang Nasional*)-mirrored the tensions inherent in the ideas of state-society relationship. The development began with a burst of enthusiasm to push through the ideals of the Guided Democracy during its initial years (1957-1962); incorporation through non-party means, but also its conflicting tendencies-the centralization of control by strengthening the *pamong pradja* corps and leaving behind the decentralization program.

Leaving party-based liberalism behind, the Depernas was a corporatist plan that would allow greater participation of society through a system of societal organizations called the *karya*. *Karyas* were mass organizations based on their functions within society: farmers, labourers, youths, women and so forth. The Depernas was a forum that bypassed Parliament and functioned to combine the older planning board and political representation in one body, a form of social control through incorporation. The function of the 'democratic' Depernas was to represent the people in national planning. Thus, its decisions and consensus was to be acknowledged down the line

and the authority of the planning body would be self-evident. The idea of social control, as exemplified by the Depernas, but also by the introduction of new institutions like the Company Board (*Dewan Perusahaan*) and the idea of open management represented a genuine attempt of the early Guided Democracy (1957-1962) to implement changes that would allow for the inclusion of social participation.

The second form of planning was through the Bappenas or National Planning Body (*Badan Perantjang Nasional*) created in 1963 to replace the Depernas. This represented a correction to the corporatist experiment in which the 'experts' were allowed greater participation within a planning agency but also included a political wing, the Muppenas or National Planning Consensus (*Musjawarah Perentjanaan Nasional*), which acted as the Parliamentary wing of the Depernas. The Bappenas-Muppenas represented a gradual re-infiltration of the 'experts' managerial class, although to be fair, the technocrats of the post-1965 New Order had not yet penetrated into the policy-making positions of these organizations. What it did do was to create a planning structure that united the central and regional executive within a semblance of order. In this way, the answer to the problem that had plagued the 1950s-the creation of a national executive coordination, in lieu of the *pamongpradja*-had seemingly emerged. This is a pertinent question in understanding the development of the Indonesian planning body. Starting out as a very Westernized body, it was briefly taken over by the politician before gradually receding to allow greater expert participation. It ended in the New Order where politicians lost all powers and the expert technocrats gained everything within the Bappenas minus the Muppenas.

The inherent tension between participation of 'society' versus the leadership of experts was to play out more forcefully in the economic policy-making of the period. The institutional development of planning, however, illustrated the rise of an executive class that owed their position to the efforts to implement national planning. The rise of the military managers and their increasing control of regional governments allowed for new coordination corridors. The Bappenas also expanded the participation of experts through the formation of research and educational institutions that were deemed necessary as part of a more professional approach to national planning. The integration and coordination of the central and regional executive

with national research and educational institutions thus continued the elite managerial development that was started in the 1950s.

Transition from the BPN

The BPN drew up a Five Year Development Plan (1956-1960) in 1956. It was submitted to Parliament but was not approved until 1958. In the meantime, much of the economic assumptions had changed. Aside from the enactment of a foreign investment bill,[1] the Plan did not materialize. The role of Parliament had diminished considerably and the role of the BPN was being replaced by the newly created Depernas. The BPN had been a PSI-dominated bureau and when the social democrats lost political influence, the PKI succeeded in closing it down on charges of it being too 'capitalist.'[2] The Communists were very critical of the BPN's large-scale manufacturing projects, especially the Asahan Aluminium Mill. Ir. Djuanda Kartawidjaja, as Prime Minister, presided over the dissolution of his BPN power base, but recouped by creating the Economic and Finance Bureau (FINEK/Bureau II), a Prime Ministerial office with the task of assisting in economic matters. He appointed former BPN staff Muljatno Sindhudarmoko as Bureau Chief and Ali Budiardjo and Saubari as staff.[3] This coupled with the control of both the FEUI, the Ministry of National Research and the Leknas provided adequate protection for the core social scientists to flourish both in research and in developing power relations during the period to come.

The role of Djuanda during the early Guided Democracy period, from around 1957 to 1962/1963, was perhaps as central as that of A.H. Nasution for the army. Although people like Sumitro Djojohadikusumo had left, the 'technocratic element' still existed at the core of both the government and the military. Taufik Abdullah recalled a conversation in which a famous Indonesianist said, "people will realize later on how crucial Djuanda's role was in these critical years, and how much of a loss to the nation the sudden

1 Submitted to parliament during the second Ali cabinet in 1956, it was finally passed in 1959. Bruce Glassburner, *The economy of Indonesia. Select reading*, (Ithaca: Cornell University Press, 1971), p. 90.

2 Robinson Pangaribuan, *The Indonesian State Secretariat, 1945-1993*, (Perth: Murdoch University, 1995), p. 15.

3 Robinson Pangaribuan, *The Indonesian State Secretariat*, p. 16. Budiardjo were sympathetic to the PSI. Benjamin Higgins and Jean Higgins, *Indonesia: the Crisis of the Millstone*, p. 87.

death of Djuanda had been."[4] Djuanda died in 1963. Born on 14 January 1922 to Raden Kartawidjaja, a schoolteacher from the lower Sundanese nobility, Djuanda started his education with scholarship at the *Technische Hogeschool Bandoeng* in 1929. He graduated in 1933 with the title civil engineer. He became a director for the Muhammadiyah teacher's school in Batavia before getting a job as a civil servant with the department of water control (*waterstaat*) of the province of West Java in 1939. Unlike Hatta or Sumitro, Djuanda thus never experienced living in Holland nor was he particularly active within the nationalist movement.[5] Not affiliating with any particular party or ideology, Djuanda stood as a neutral option for Sukarno's right-hand man during the early period of Guided Democracy.

Rosihan Anwar called Djuanda a pioneer in Indonesian technocracy, in that people like him "have no specific ideological commitment, in fact they acted and were apolitical. Their main function was to be a helper and aid their political master."[6] This was certainly not fully true with the New Order technocrats, whose relationship with the military state was determined by their desire to promote a certain vision of the Indonesian economy, but it may have been quite correct in understanding the Guided Democracy regime. Quoting Hanna, Higgins pointed at Sukarno's entourage as composed of sycophants, rouges and houris.[7] And although he wasn't 'political' in the normal sense, Djuanda was pro-heavy industry, supporting large projects like the Jatiluhur electric plant, Gresik cement plant and the Krakatau steel mill.[8]

One of the most important components of the Guided Democracy state was the belief in executive centralization and the shift away from the decentralized democracy that was inherent in the Parliamentary Democracy system of the 1950s. The *Pamongpradja* corps, which had been slated to disappear under the decentralized regional governments, was saved by Sukarno when he superseded the Decentralization Law no. 1/1957 and

4 Taufik Abdullah, "Kata pengantar" in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Teknokrat Utama*, (Jakarta: Kompas, 2001), p. xx.

5 I.O. Nanulaita, "Ir. Haji Djuanda Kartawidjaja" in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Teknokrat Utama*, (Jakarta: Kompas, 2001), p. 8-71.

6 Rosihan Anwar, "Pelopor Teknokrat. Non-stop jadi menteri" in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda,* p. 217-218.

7 Benjamin Higgins and Jean Higgins, *Indonesia: the Crisis of the Millstone*, p. 122.

8 Mohammad Sadli, "Pelopor Perencanaan Pembangunan Ekonomi" in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda*, p. 258-259.

instituted a Presidential edict in 1959.[9] This had the effect of recentralizing the executive.[10] The *Pamongpradja* was to work alongside a territorial military structure that had also been expanded during the period under Nasution's territorial management doctrine. With the creation of a National Planning body composed of representatives of working bodies (*karyas*), the fractious, decentralized, party-based society of Indonesian liberalism was replaced with an incorporated structure in which society would participate in national planning and in the greater economy through the application of open management systems. The structure of power could be centralized and society and state could function as one organic whole.

Institutional Development during the Guided Democracy

On a general level, we can divide Guided Democracy into two periods. The first occurred between 1957 and 1962 and represented an experimental period, in which various new institutions were set up within an environment that bespoke an optimistic view of the future. It was a corporative period in which participation through *karya* organizations within the planning body was heralded as a foundation for a stable and efficient Indonesia. It was the time in which Sukarno's anti-experts mood was at its height. The second period from 1962-1965 was a period in which the experiments had been conducted and a shift occurred toward a feeling of apathy and pessimism. The shift also saw the increasing authority wielded by Sukarno while at the same time the loss of authority of Nasution. Interestingly, it also saw the rise of the Western-educated social scientists and the Communists in both the government executive and the discourse on the economy. It saw increasing economic distress and the loss of the control of the state while at the same time the creation of a series of new, executive institutions that were to become the institutional bedrock of the future New Order state. In short, it was a period rife with contradiction and conflict that witnessed the rise of a new generation of experts who were to exercise an increasing influence and impact on the executive.

9 J.D. Legge, *Central Authority and Regional Autonomy in Indonesia: a Study of Local Administration. 1950-1960*, (Ithaca: Cornell University Press, 1961), p. 21.

10 J.D. Legge, *Central Authority and Regional Autonomy in Indonesia,* p. 201-229.

As Herbert Feith describes, Guided Democracy was both an initiative of the military and Sukarno, "and they did so not as leaders and followers or as part of a single power group, but as two partners and followers, or as a part of a single power group, as two partners between whom relations were competitive as well as cooperative."[11] In the early phase starting around 1957, Nasution used the martial law that was proclaimed after the dissolution of Ali Sastroamidjojo's Cabinet in order to push forward his institutional ideas. His authority as Chief of Staff of the army resulted in his control of the Central War Authority (Peperpu), which controlled the Regional War Authority (Peperda). Sukarno successfully wrested control of this double administration when he dissolved the Peperpu and established the Supreme War Authority (Peperti) in which he was the head of both the civilian and military administration.[12] In December 1961, the Supreme Commander for the Liberation of West Irian or KOTI was created under Sukarno and this became the most important government agency and acted like a cabinet.[13] The competitive sphere had resulted in the formation of institutions along similar lines by both the military and Sukarno. In many cases, the initiative was taken by Nasution and then followed by Sukarno. Not until 1962 when Sukarno succeeded in undermining Nasution's position did an expansion of executive authority took place under the Presidential office, putting institutional authority in the hands of the President.

According to Daniel Lev "(T)he striking aspect of Guided Democracy as it developed after the restoration of the 1945 Constitution was that it contained many political but few institutional controls. For institutions were pulled apart and broken down but poorly reassembled."[14] While there was an institutional breakdown, new organization and institutions did arise. While Sukarno's preoccupation in politics and the shoring up of his support base deflected the efficacy of these new institutional arrangements, it is important to realize that significant path-dependent changes were being wrought. The importance of the Guided Democracy experiment is located in the founding of Indonesia's state-society relations. The problems of perceived government inefficiency resulted in the creation of an 'experimental' state. In the words

11 Herbert Feith, "The Dynamics of Guided Democracy" in Ruth McVey (ed.), *Indonesia*, (New Haven: Hraf Press, 1964), p. 327.

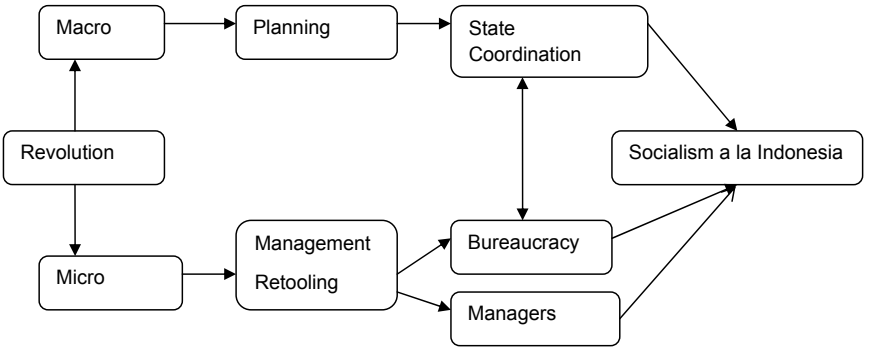
12 Harold Crouch, *The Army and Politics in Indonesia*, p. 47.

13 CLM Penders and Ulf Sundhausen, *Abdul Haris Nasution, a Political Biography*, p. 158.

14 Daniel Lev, *The Transition to Guided Democracy: Indonesian politics, 1957-1959*, p. 286.

of Sukarno: '…if we admit that the Indonesian revolution is not yet over, we have to understand that we will have to confront continued renewal. Try this, if it doesn't work, try something else… if that doesn't work, then try again…Revolution is a dynamic process.'[15] This experimental approach showed a belief in historical materialism and the dialectic of nature itself. As Engels said "the whole of nature has its existence in eternal coming into being and passing away, in ceaseless flux, unresting motion and change."[16] The Guided Democracy revolution worked along the lines of this institutional experimentation.

Two important events heralded the rise of Guided Democracy. First, the expropriation of Dutch-owned enterprises and the subsequent forced repatriation of Dutch citizens from Indonesia. This resulted in the opening up of positions in newly nationalized corporations and subsequently, the hasty expansion of management science to fill the void left by the departing Dutchmen. Second, a further implementation of the military dual-function occured, which allowed greater participation by the military in both civilian and business management.



Guided Democracy Revolution for the Government

15 Soekarno, "Don't built a façade on sand" in *DewanNasional*, (Kementerian Penerangan RI: n.a., n.a.), p. 62.

16 Friedrich Engels *The dialectics of nature* quoted by Roeslan Abdoelgani, Tentang ketegasan sosialisme Indonesia I. Landjutan kuliah umum di Universitas Malang padatanggal 13 Februari 1961, Roeslan Abdulgani, Inv.nr. 641, ANRI.

The figure above represents a simplified model of institutional development within the government during this period. The strategy can be divided into two: a macro strategy on state coordination and a micro strategy on the individual civil servants. The macro strategy tries to answer that old 1950s' question of the problems surrounding the inability of the state to implement concrete national coordination and planning. The micro strategy takes a deeper look at the implementation of management science and the ideological effort to create a 'new Indonesian man' as the creation of both state effectiveness and nation-building exercise. State capability and nation-building became intertwined within an ideology that promoted the state as the end goal of the nation. This development is important because, although Guided Democracy was a failure, it also cemented the kind of military-technocratic state that the New Order would become.

The Indonesian economy was restructured along corporative lines when the government issued the Law on State Enterprise (*Peraturan Pemerintah* no. 16/1960) in April 1960. The law stipulated the creation of the General Management Boards (*Badan Pimpinan Umum* or BPUs) which were given the authority for general management and staff function, based on particular industries: trading, mining and industry, sugar, rubber, agricultural products, etcetera. The Management Boards were created to replace the Nationalization Board or Banas (*Badan Nasionalisasi*) headed by Prime Minister Djuanda, the governor of the central bank and eleven other ministers, who had managed the nationalization process of Dutch-owned companies.[17] These BPUs were placed under related ministries. Many government-owned companies originated from the Dutch enterprises that had been nationalized in late 1957. The Management Boards acted as a 'super management' board with the authority to intervene in day-to-day operation.

The take-over of Dutch corporations in December 1957 brought together a group of military and civilian officers into the management rooms of corporations. On 10 December 1957, the Central Military Ruler[18] Nasution instructed all Regional Military Rulers[19] to take charge of Dutch corporations, many of which had already ended up in the hands of mostly leftist trade unions. The creation of the Banas or *Badan Nasionalisasi* was a

17 J.A.C. Mackie, "Indonesia's Government Estate and their Masters", p. 341-342.

18 Penguasa Militer Pusat

19 Penguasa Perang Daerah (Peperda)

significant event for it centralized policy-making of all types of nationalized enterprises by Prime Minister Djuanda with eleven other ministers and the governor of Bank Indonesia. When a more permanent control machinery replaced the Banas, their staffs were incorporated as a coordination board, ensuring continuity.[20] There were two important factors here. First, the appointment of Colonel Suprajogi as head of Banas and as Minister of Production Coordinator meant that the military gained a significant say in the organization. This included hiring people like Colonel Soehardiman and other military managers to work in the Banas. Second, retaining the Banas under the office of the First Minister ensured the continuity of large parts of the experts policy-making elites of the planning body. As in economic planning, much of the policy-making was thus successfully retained under the authority of First Minister Djuanda.

Several months later in March 1958, Nasution ordered the creation of the Central Body for the Management of Industrial and Mining Companies or Bappit[21] The biggest shift in the management of state-owned companies took place in 1960 with the issue of a government regulation in lieu of law.[22] This regulation legally transferred the ownership of the seized companies within the central government through the creation of General Management Boards,[23] which provided managerial service for the companies.[24] These BPUs were placed under diverse ministers, thus solidifying the central government's control of them.

Despite these manoeuvres, the presence of the military within these corporations, in the Bappit and, in fact, within the newly created BPUs, was not removed, as in fact army men were present in practically all important state institutions. Within Bappit, three BPUs were created.[25] The Depernas discussion on the Bamunas finally solved the questions surrounding the position of government-owned corporations within the framework of socialism à la Indonesia. Like national planning, experts like Mr. Ali Budiardjo and managers such as Lieutenant-Colonel Sajidiman, who was

20 J.A.C. Mackie, "Indonesia's Government Estates and their Masters", p. 328.

21 Badan Pusat Penjelenggaraan Perusahaan-perusahaan Industri dan Tambang

22 Perpu or Peraturan Pemerintah Pengganti Undang-undang

23 Badan Pimpinan Umum

24 It also contained regulation to start the implementation of national programme for land redistribution.

25 Machine and Electricity, Chemistry and Transportation

the BPU director of the State Trading Corporation, visited countries like Yugoslavia and Czechoslovakia to study the role of the state, the market and organizations like the Chamber of Commerce within the economies of these socialist states.[26] There were interests in Yugoslavia's "socialized enterprises" system where companies were not centrally nationalized, but controlled by the workers through the formation of collectives. Like the regionalization of national planning, which Depernas envisaged later on, many experts also saw the need to decentralize ownership.[27]

Another important innovation to corporate management was the Worker-Management Council or *Dewan Perusahaan*. It was created on the assumption that worker control over management might result in a system of check and balances that would reduce the amount of corruption that has plagued the Indonesian state sector and created a condition of self-control.[28] "The system of capitalist oppression conducted through the hierarchical system, from the *opperdirecteur* in the Netherlands, via the directors, managers, representatives and *zetbaas* in Indonesia must be revamped and changed into a democratic system that allows for the participation of workers in the management of the company, the planning of work and of planning itself."[29] There were two levels of Council: the Management Board level and the company level. At the Management Board level, the council was composed of representatives from management who served as chairman and a representative from a union and farmer organization connected to the company. If the company was not in an agricultural sector, union

26 Lieutenant-Colonel Sajidiman specifically met with the Chamber of Commerce of Czechoslovakia in September 1961 to understand its role in the socialized economy, something which he envisaged the BPUs to mimic. Sajidiman, "Perdjalanan ke negeri Tjekoslowakia dalam rangka tugas pemerintah" in *Madjallah Perusahaan Negara*, no. 11, year 1, November 1961.

27 Mohammad Sadli, "Masalah Perusahaan Negara di Indonesia. Laporan symposium pada latihan pembangunan ketatalaksanaan" in *Madjallah Perusahaan Negara*, no. 18, year 2, June 1962, p. 4.

28 Mochammad Natzir, *Dewan Perusahaan sesuai dengan UU no. 45 Prp. thn. 1960*, (Makassar: Sedjahtera, 1963), p. 7.

29 Suprapto, *Dasar pokok, fungsi, sifat2 dan bentuk hukum nasional*, p. 17. "Sistim penindasan kapitalisme jang didjalankan dengan melalui hierarchie dari atas ke bawah, mulai dari opperdirectur di Negeri Belanda, direktur-direktur/manager-manager/vertegenwoordiger-vertegenwoordiger/zetbaas-zetbaas di Indonesia harus dirombak dan diganti dengan sistim jang demokratis, jang memungkinkan kaum pekerdja turut serta dalam pimpinan perusahaan, turut merentjanakan pekerdjaan dan turut mengambil bagian dalam pelaksanaan rentjana."

representatives could replace the farmer representatives. A union must have a membership that was up to 30% of the total workforce of the company. Ministries appointed an expert to be part of the councils. At the company level, the ministers also had the right to appoint community leaders suggested by the Governor of the locality. The *Company Board* was a consultative body, offering recommendations for improving the environment of the companies in order to increase productivity. By the middle of 1964, there were 21 workers-management councils at the BPU level and 636 at the enterprise level; 60,5% of this number were from the labour union, 13,5% from the farmers union, 24% belayed to the management and 2% were experts.[30]

The labour union always had a strong position within post-colonial Indonesian society. Government administration traditionally sided with labour in many disputes, while company management was tainted with a Dutch aftertaste. But within the army controlling the plantation sector it was harder for the union to push for the creation of Councils, which would have accrued greater membership from farmer's representatives. Studies by Everett Hawkins have shown that there was a decrease in the number of labour disputes from 4,131 involving over five million workers in 1957 to 807 involving over 700,000 workers in 1963. This was not because of a decrease in the grievances but because labour disputes were transferred from the labour dispute bureau toward the military's labour relations group (*BKS-Bumil*).[31] Again, in accordance with Indonesian corporatist ideas, disputes and any other forms of decentralized decision making were replaced by consensus within familial structures dominated by the executive, the military or a combination of the two. The expansion of participation was met with hostility by some parts of the management, which often had a difficult relationship with aggressive unions.[32]

30 Panglaykim, "Indonesian State Enterprise and Worker-Management Councils (Dewan Perusaaan)" in *Asian Survey*, vol. 3, no. 6, June, 1963, p. 285-288.

31 Everett Hawkins, "Labor in Transition" in Ruth T. McVey, *Indonesia*, (New Haven: Southeast Asia Studies, 1963), p. 248-271 and Panglaykim, "Worker-Management Councils in Indonesia" in *World Politics*, Vol. 17, No. 2, Jan., 1965, p. 243-255.

32 Panglaykim, "Worker-Management Councils in Indonesia", p. 252.

Depernas

The Depernas differed with the BPN in its ambitious planning targets. It was entrusted to create not just an industrial or development plan, but an overall national plan, "to be built in accordance with Indonesian ideals"[33] in order to create a just and prosperous society. It was thus a social, political and cultural plan, as well as a developmental one. It was also an official High Government Body on a par with the Parliament and the Supreme Court. Sukarno wanted the Depernas to stand outside and above the authority of the Cabinet, although Djuanda was legitimately worried that this would make coordination difficult. Although he insisted in Parliament that the body should be under the authority of the Cabinet, Sukarno's corporatist idea held sway.[34] It was a decision made by the National Council,[35] an initially important Guided Democracy national body that effectively replaced Parliament, in September 1957. The Council appointed the engineer Prof. Herman C. Johannes of Gadjah Mada University to lead a 19-man commission on the formation of the Depernas. The commission was composed of several intellectuals, including Prof. Johannes, Prof. G.A. Siwabessy, also an engineer, the Sinologist Prof. Tjan Tjoen Som and a legal expert, Prof. Raden Djokosutono. As was becoming customary, it had several members of the police and the military as well as people with Communist ties, including the future Vice Mayor of Jakarta, Henk Ngantung. On 8 October 1957, Johannes gave an exposition of the Depernas in the National Council which approved it the following day. Mohammad Hatta refused the offer to head the new body, arguing that it wasn't necessary for Indonesian development.

Further discussion on the Depernas was deferred to the National Development Congress or Munap (*Musyawarah Pembangunan Nasional*), held on 25-27 November 1957 at the sport hall in Merdeka Square. The Munap was organized by the BPN and was to lay the foundation for national development. The BPN was given the task of producing working papers which were distributed and discussed by the various panels. Around 400 delegates attended the congress from the government and the private sector. Regional

33 Roeslan Abdulgani, "The lessons of Indonesia's experience in planning" in *Politik dan Ilmu*, (Jakarta: B.P. Prapantja, 1962), p. 157.

34 Daniel Lev, *The Transition to Guided Democracy: Indonesian politics, 1957-1959*, p. 180.

35 Dewan Nasional

civilian and military governors came with their advisors, along with members from the central government, Parliament, the Constituent Assembly, the National Council and representatives of traders, industrialists, banking sector, labourers, farmers, youths, women, reporters, veterans, artists and religious leaders all of whom were represented in their modern organizational forms. SOBSI, KBKI, RKS etcetera for the labour organizations, Majelis Perniagaan dan Perindustrian, DEIP, MII, KENSI, Perbana etcetera for the 'economic sector.' BTI, STII, Petanu for the agricultural sector, PWI, IPPKN, Ikatan Wartawan Ekonomi etcetera for the reporters, Wakil Legiun Veteran and MUVI for the veterans and LEKRA and BKMN for the artists.[36]

The corporatist nature of the congress was to be replicated in the Depernas, the prototype of which was first displayed by the National Council. These corporatist organizations were to mobilize consensus through traditional Indonesian means (*musyawarah untuk mufakat*). It was part of the effort to create *social control through social participation*, a central tenet of the Guided Democracy state.[37] These groups had traditionally vertical ties to various parties similar, according to Nasution, to the Dutch *verzuiling* form.[38] Constitutional expert Djokosoetono warned that corporatist states only exist in fascist and Communist countries.[39] Particularly important was the absence of domestic and foreign 'experts'. The BPN had a relatively high concentration of domestic and foreign experts, working closely with Yale University and the Ford Foundation. The BPN was also connected, through Sumitro Djojohadikusumo, with budding Indonesian economists concentrated at the Faculty of Economics in the University of Indonesia. The Munap and the Depernas had however almost none of these, although the ICA did provide private economic consultants Bernard Bell and Oscar A. Ornati by April 1960 at the request of the government for technical

36 Keng Po, 26 November 1957.

37 Even at the end of Guided Democracy, the creation of the Bamunas (Corporative Body of Private Business Owners) in 1965 was in part of the effort for "social participation and social control." *Musjawarah Pusat Bamunas Ke-I. 19-20 Pebruari 1965*, (Jakarta: Bamunas, 1965), p.2.

38 A.H. Nasution, "Mengabdi Bangsa bersama pak Djuanda" in Awaoeddin Djamin (ed.), *Pahlawan nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, administrator dan teknokrat utama*, (Jakarta: Kompas, 2001), p. 296-297.

39 A.H. Nasution, "Mengabdi Bangsa bersama pak Djuanda" p. 297.

consultation.[40] Mr. Bell had been acquainted with Djuanda Kartawidjaja since the end of the 1940s as a personal economic consultant.

Yet, the plan stressed the 'indigenous' nature of its creation, in comparison to the 1950s' addiction to foreign assistance. Indonesia had always had an ambivalent attitude toward foreign assistance,[41] and many of the foreign experts were shielded from the public view, both to protect them from political fallouts of the highly galvanized Indonesian media[42] and to secure a degree of confidence in the ability of the Indonesian officials. Many of Indonesia's economists were discredited by the military's anti-corruption effort or through association with the social democrats. Real economic decision-making was retained within the Prime Minister's office through the Finek, the economic and development council, the monetary council and the development council.[43]

The Depernas was to be a testament to the capabilities of the non-professional. Roeslan reiterated again in his speech in Malang: "The results of Depernas in its basic principles are full of quality and value, in line with our revolution and the wishes of the people. This is not surprising. The character of its members determines the character of its results."[44] He added, "it is not too much to say that the members of the Depernas are the sons of revolution and the sons of the people. They are different from the previous

40 Guy Pauker, "Indonesia's eight year development plan" in *Pacific Affairs*, Vol. 34, No. 2, 1961, p. 116.

41 "Foreign Technical Assistance in Economic Development in a Newly Independent Country: Some Observation in Indonesia" in *Economic Development and Cultural Change*, Vol. 1, No.1 (March, 1952), p. 73-80.

42 An example of this was the fiasco of the visit of former Nazi finance minister Hjalmar Schacht, in which the government was attacked, especially by leftist elements. *Harian Indonesia*, 24 July 1951 and 3 August 1951. Wertheim (and allegedly other professors) refused to visit Universitas Gadjah Mada, and other Indonesian universities, because of Schacht's stay in Indonesia. *Harian Indonesia*, 13 August 1951 and 21 August 1951. For more on the result of his visit, see Hjalmar Schacht, *Laporan Hjalmar Schacht*, (Jakarta: Kementerian Penerangan:, 1951).

43 Donald Humphrey et.al., *Indonesia. Perspectives and Proposals for United States Economic Aid*, (New Haven: Yale University Press, 1962), p. 77-79

44 Roeslan Abdulgani, Tentang ketegasan Sosialisme Indonesia II. Landjutan kuliah umum di Universitas Malang pada tanggal 13 Februari 1961, p. 68 in Roeslan Abdulgani, Inv.nr. 641, ANRI. "Hasil-karya Depernas dibidang pengertian-pengertian jang pokok-pokok ini adalah hasil jang bermutu dan bernilai, tjotjok dengan tuntutan Revolusi kita dan Amanat Pederitaan Rakjat. Hal ini tidak mengherankan. Watak keangautaannja menentukkan watak-hasilnja."

planning and development boards, who stressed their membership on the intellectual-experts. Instead of these theorists who had little contact with the common people, the Depernas prioritizes its membership to groups or *karya* that have deep roots within and amidst society, without dispensing the advice and opinion of the experts. No less than 270 Indonesian experts in twelve fields of development, who are of high quality and with a large capacity have been deployed and have had their opinions heard by the Depernas in order to perfect their work."[45] Thus, despite Depernas's essentially non-professional character, a contingent of experts, including economists, tried to help with the process by offering opinions to the members. For instance, in the case of agriculture, the Depernas relied on the reports of FEUI's Research Institute for the Economy and Society.[46] In any case, the members of the Depernas were not those of the 'perfect and specialized type of man', but the 'cultivated man', a man who has received general and broad education, who has grown up together with the people and who will stay aloof of the temptation of 'career' and 'professionalism.'

On 16 July 1958, the Ministerial Council appointed the nationalist Sumatran Mohammad Yamin and Hanafi to formulate the Depernas bill. The Depernas was to devise, supervise and evaluate an overall national plan. Its first duty was to create an Eight-Year Overall Development Plan. This was later expanded when on January 1961 the President formed a working body to create an annual plan based on the eight year plan. On 30 June 1959, the Depernas decided to name Mohammad Yamin as Minister-Chairman of Depernas. Within the Depernas prominent individuals represented

45 Roeslan Abdulgani, Tentang ketegasan Sosialisme Indonesia II. Landjutan kuliah umum di Universitas Malang pada tanggal 13 Februari 1961, p. 68 in Roeslan Abdulgani, Inv. nr. 641, ANRI. ""Karena itu tak berlebih-lebihan kiranja kalau dikatakan disini bahwa anggauta-anggauta Depernas adalah putra-putra Revolusi dan putra-putra Rakjat. Berbeda dengan dewan-dewan perantjang dan pembangunan jang dulu-dulu, jang menitik-beratkan keangautaannja kepada para intelek-ahli dan intelek-expert, dan kepada ahli-ahli teori jang kurang berkontak dengan kehidupan Rakjat dan masjarakat, maka Depernas mengutamakan keanggautaannja untuk golongan-golongan karya jang berakar dimasjarakat dan ditengah-tengah rakjat, tanpa mengabaikan nasehat dan pendapat para ahli dan para expert. Tidak kurang dari 270 orang tenaga ahli Indonesia dalam 12 bidang pembangunan, jang bermutu tinggi dan berkapasiteit besar telah dikerahkan dan didengar pendapatnja oleh Depernas dalam penjempurnaan pekerdjaannja."

46 *Rantjangan Dasar UU Pembangunan Nasional-Semesta Berentjana Delapan Tahun: 1961-1969. Bidang Mental/Ruhani dan Penelitian Buku ke III. Djilid ke VI. Pola pendjelasan bidang pendidikan tenaga pembangunan*, (Jakarta: Dewan Perentjanaan Negara, 1960), p. 1689. Lembaga Penjelidikan Ekonomi dan Masjarakat.

each Province, usually the Governor. The armed forces, as well as national businessmen and minority groups were given seats on the body. This disparate collection of interests was convened within a period of 10 months in order to create the Eight-Year Overall Development Plan.

Lack of number was cited as one of the main problem with the Eight Year Overall Plan.[47] "More often than not, the numbers do not conform to other data, or were not in accordance with reality. Such a condition had forced the Depernas to calculate their own numbers in important fields through the creation of Special Committees, such as: Population Committee and National Income Committee."[48] They thus ignored the vital fact that the plan had no supporting organization to provide them with data. As a result, there was a lot of guesswork as to numbers. For instance, the gross domestic product were calculated to be between 163 billion rupiah to 267 billion rupiah, depending on which of the 17 volumes of the master plan was consulted, per capita growth was assumed to be between 0,1 to 5,6 per cent/year until 1969, depending on population growth rate which varied from 1 percent to 3,6 percent/year in the various volumes.[49] These figures were significantly different and thus provided different estimations of the developments in question.[50]

There were four plenary sessions based on development themes: basic necessity (*sandang pangan*), state constitution (*kenegaraan*), economy/finance and society. The intellectuals and experts participating in the Depernas were bunched together as part of the 'intellectual representative of society' to complement the women's, labour's and journalist's sections. Intellectuals included Buntaran Martoatmodjo, a medical doctor and former Minister of Health, Sudarisman Purwokusumo, a legal expert, Djuneid Pusponegoro, another medical doctor, as well as Djokosutono, Tjan Tjoe Som and Imam Sutikno.[51] In conducting the overall development plan, the Depernas created

47 *Badan Perentjanaan Pembangunan Nasional (Bappenas). Peraturan-peraturan*. (Jakarta: Bappenas, 1964), p. 8-9.

48 *Badan Perentjanaan Pembangunan Nasional (Bappenas). Peraturan-peraturan.* p. 8-9

49 R. Soerjadi, "Sistim Ekonomi Terpimpin dibidang Moneter", speech given at the HSI Economic Seminar, 20 July 1963, p. 14-16.

50 For more on the history of the national income accounting, see W.H. Arndt and C. Ross, "The National Income Estimates" in *Bulletin of Indonesian Economic Studies*, Vol. 6, no. 3, 1970, p. 33-60.

51 Harian Rakyat, 31 June 1959.

a series of central and regional committees. In the regions, the Governor headed the regional committees.

When the Depernas finished the master plan of Indonesia's first and only Eight-Year Overall Development Plan, it was met with much scepticism. The plan was presented in the form of eight books, 17 volumes and 1,945 paragraphs. The symbolic nature of the arrangement of the plan, conforming to the August 17, 1945 independence day, gave it less weight in the judgement of many. The Depernas was not clear on how its plans were to be superintended and reviewed.[52] There was a struggle among the leadership on who was to carry out the plan, with Djuanda trying to entrust its control to a small, expert group of ministers and Chaerul Saleh trying to move it to his ministry.[53] However, Depernas lacked the institutional capability to carry out a national plan and became merely a council for the collection of departmental plans. It lacked coordinating and supervising capabilities. The plan also contained only those projects that were to be financed by the central government. Regional government and private sector finance were not included.[54] The plans themselves would eventually be given back to respective ministries and department and the problems inherent in them would work their way to foul-up the plans. In any case, it was merely composed of various projects without any grand unifying theme.

The plan was criticized internally as well as externally. On a visit to Washington DC in April 1961, Sukarno gave President Kennedy a copy of Indonesia's economic plan. Kennedy sent the plan to a team of experts from Yale University, who went on a 24-day mission to Indonesia in August of the same year. The mission found deep flaws in the development program. The biggest flaw was basically the way in which Indonesia administered itself. An expanded program of development was impossible "until Indonesia makes greater progress in putting its house in order."[55] One of the main conclusions was that American help to Indonesia should focus on education and training of Indonesian managers and technicians and proposed aid to the tune of

52 *Hasil Konferensi Kerdja Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 4.

53 J.A.C. Mackie, *Problems of the Indonesian Inflation*, p. 28.

54 Sutikno Slamet, "Uraian mengenai pembiajaan pembangunan nasional, pengawasan dan penilaian" in *Hasil Konferensi Kedja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 102.

55 Donald Humpfhrey et.al., *Indonesia. Perspectives and proposals for United States Economic Aid*, p. 160.

325-390 million dollars.[56] Without adequate skilled personnel, that money would go nowhere and only add to inflationary pressure before Indonesia could expand its capacity to absorb capital for new projects. The investment required 30 billion rupiahs or 13 percent of Indonesian GDP in 1961 alone, for the entire eight years, it would have required 240 billion rupiahs, 50 percent of which had to be paid in dollars, i.e. 270 million dollars.[57] The government ignored the report.[58]

In a report to the President, the Minister of Public Works, the engineer S. Dipokusumo, reiterated that the plan had weak assumptions about project financing. The plan divided the projects into two: A-projects and B-projects. The A-projects were the 'proper' development projects, including rice self-sufficiency, textile self-sufficiency and laying the foundation for heavy industry, such as steel and aluminum mills and petrochemical plants. All this was to be financed through the B-plan, which constituted 'low-hanging fruit' from Indonesia's rich resources. Depernas mapped eight areas of Indonesian low-hanging fruits: petroleum, timber, fishery, copra, rubber, tin, alumina and tourism. While Indonesia had these in abundance, they failed to assess the capital and expertise necessary to increase production in these sectors. For instance, the plan for Kalimantan timber was to export 37 million cubic metres of wood per year. At the same time, the wood export volume of the entire world was 40 million cubic metres. It would not only swamp world markets, but would have required roads whose capital investment would have required up to 90 billion rupiahs, twice the size of the 1961 national budget.[59] The same can be seen in fishery, where calculations required Indonesia to invest in a fleet three times as large as the fleet of the top fishing nation, Japan. As Dipokusumo reiterated in his conclusion "all the plans above do not contain reality. None of them can be successfully conducted, perhaps some may be conducted on a small scale, but such scales would never justify

56 Usha Mahajani, *Soviet and American aid to Indonesia. 1949-1968*, p. 19.

57 Roeslan Abdulgani, Tentang ketegasan Sosialisme Indonesia I. Landjutan kuliah umum di Malang pada tanggal 13 Februari 1961, p. 54 in Roeslan Abdoelgani, ANRI Inv.nr. 641.

58 Rosihan Anwar, *Sukarno, Tentara, PKI,* p. 189. That 30 billion had to be paid for through the national budget. Exports, in fact, decreced during the period. ANRI, Jakarta, Roeslan Abdulgani, inv. nr. 880.

59 Two times the national budget for 1961.

itself as a source for meaningful development."[60] Unfortunately, Yamin totally disregarded cabinet criticisms of the plans.[61]

By 1962, the plan had essentially unravelled. Government investment in the plan had reached 67,7 billion rupiahs or 41% of the 1960 GDP using the Depernas's lower estimate. By the end of 1961, government revenue from these development projects yielded 10,4 billion instead of the planned 19 billion rupiah. In 1962, most of the 40 billion rupiah needed to finance the plan had to be financed through the national budget because the projects yielded a measly 4,2 billion rupiahs. The B-projects yielded 5 million dollars or 225 million rupiah from the Pan-American Oil Company and 20 million rupiah from tourism out of the projected 225 million rupiah annual revenue. The projected yield from forestry of 295 million rupiah, fishery 70 million rupiah, copra 427 million rupiah, and rubber around 1.800 million rupiah did not materialize due to lack of investment or the inability to control the export market. Tin export actually went down.[62]

The 1962 Regrouping

The shift during 1962 was significant. It resulted in placing national planning and many other institutes under the office of the President, in a way similar to the centralized structure during the Parliamentary Democracy period.[63] Economic deterioration and the failure of the Eight Year Overall Development Plan had forced these changes and given rise to a more significant role for experts within the government. A.H. Nasution, Sukarnos's biggest rival, was effectively demoted by 'kicking him upward' to a technically higher post but with less authority.[64] The appointment of Ahmad Yani as head of the army put, in the eyes of many, the army more fully under the President's control. Roeslan Abdulgani was out of the Cabinet, which was to many a surprise.

60 Masalah pembiajaan pembangunan semesta, rentjana Depernas, S. Dipokusumo, 2 September 1960, S.1417/9/60 in ANRI, Jakarta: BAPEKAN, no. 5.

61 Guy Pauker, "Indonesia's eight year development plan", p. 115.

62 R. Soerjadi, "Sistim Ekonomi Terpimpin dibidang Moneter", speech given at the HSI Economic Seminar, 20 July 1963, p.19-23.

63 By the end of Guided Democracy, institutions under the Presidential Office would number 132, including 68 departmental committees.

64 A.H. Nasution, *Memenuhi panggilan tugas. Jilid 5: Kenangan masa Orde Lama*, p. 26 and C.L.M. Penders and Ulf Sundhaussen, *Abdul Haris Nasution*, p. 140.

Djuanda kept his post but by this time, he was somewhat incapacitated by illness, having checked in for heart problems in August 1961. Sukarno had also banished Sjahrir and his inner circle to East Java.[65] On 17 October 1962, Mohammad Yamin died and was buried in West Sumatra. On 7 November 1963, Djuanda would follow, after being sick for a number of years.

Roeslan Abdulgani, in a speech he gave in 1967 entitled *The Death of Djuanda: the turning point*, put emphasis on the changes to government after this period. According to Awaloeddin Djamin, the failure of the economic rehabilitation (Dekon) was attributed to the absence of Djuanda, as influence passed to Soebandrio.[66] This may be too simplistic an interpretation, because Soebandrio was instrumental in getting the nascent technocrats on board the rehabilitation program. It was also uncertain whether Sukarno himself would have listened to Djuanda's council and stopped the drift toward foreign adventure in 1963. In any case, Sukarno was taking in the reins of power. Nasution, for instance, wanted greater control and authority for his Ministry of Defence and thought the Soviet system was a good choice. He had collected papers on Soviet defence integration and gave it to Djuanda's Committee of Six.[67] Instead the result of the reorganization was to provide greater control for the President through the KOTI or the Indonesian High Command (*Komando Tertinggi Indonesia*), eliminating the authority of the Ministry of Defence. Sukarno also placed the intelligence agency (BPI) within his office under the authority of Soebandrio's Ministry of Foreign Affairs.[68]

The centralization of power under the Presidential office gave way to a restructuring of the national planning that opened the door for greater expert participation. This included continued foreign expert participation. For instance, since the early 1960 up till 1964, the Indonesian government used the services of the American consultant Griffenhagen-Kroeger Inc. to study and recommend the re-organization of the budgetary system, as a continuation of the reports made by Karakachev, Kirkor and other Indonesian experts.[69] As part of retooling, the budgetary responsibility had been moved from the Ministry of Finance to the Presidential Office

65 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 123-127 and 128-130.

66 Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Teknokrat Ttama*, (Jakarta: Kompas, 2001), p. xii-xvii.

67 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 218-221.

68 *Ibid*.

69 Bintoro Tjokroamidjojo, "Perkembangan ilmu administrasi negara di Indonesia", p. 38.

at Djuanda's First Minister's Office. A major reason for placing it under the First Minister was because of the concentration of experts at the Finek Bureau. This allowed for effective fiscal control to be in the hands of the First Minister. The report from Griffenhagen-Kroeger concluded that the placement of the budget office under the First Minister would provide greater cooperation among the various government agencies and the executive at the Presidential Office.[70]

The period 1962-1965 saw even more the expansion of the executive authority in various new state bodies. Sukarno was able to take over the function of institutions that A.H. Nasution had created during his position as head of the army. By 1965, there were various bodies and institutions situated directly under the President. As head of state, he commanded seven institutions, including the State Secretariat, the Cabinet and other functions. As Leader of the Revolution (*Pemimpin Besar Revolusi*) he headed 13 bodies.[71] As mandate holder of Parliament (*Mandataris MPRS*) he headed another 23 bodies.[72] Other state bodies directly under the Presidential office included the State Administrative Academy (LAN), the Statistics Bureau (BPS), the Office of Government Employee (KPU) and the Intelligence Office (BPI). Semi private-government bodies such as the Bamunas and MIPI were also under the President as were international organizations headquartered in Indonesia like the Ganefo (Games of the New Emerging Forces) Secretariat. Lastly, the President headed 68 bodies and inter-departmental committees, including the Economic and Development Council (DEP) and the Council for Economy and Finance (BEK). In total, there were around 132 higher executive bodies by the end of the Guided Democracy.[73]

70 *A Modern Budget System for Indonesia. Part A: Budget Organization,* (Jakarta: n.a.:, 1963), p. 1-5.

71 Including the Front National, the KOTRAR, KOTARI (*Komando Operasi Berdikasi*), KOGAM (*Komando Ganjang Malaysia*), Kopedasan (*Komando Pembangunan Daerah2 Perbatasan*), *Lembaga Pembina Kesatuan Bangsa*, Komite Nasional Ganefo, Lemhanas etc.

72 Including the Conefo, the committee for National Monumen and Istiqlal Mosque, the national television, Jagorawi Highway authority and others.

73 Bintoro Tjokramidjojo, "Masaalah jang perlu dipikirkan tentang herordening aparatur Negara ditingkat pusat" in Bintoro Tjokroamidjojo, *Tulisan-tulisan Administrasi Pembangunan, 1966-1968*, (Jakarta: Bappenas, 1971), p. 1-17.

The Rise of a New Generation

The creation of the Indonesian Science Council (MIPI)[74] in 1956 was important for providing sanctuary for experts from the hostile political environment of the day. Research was alleged to be important to the Depernas, at least within its official publications,[75] but it was only in 1962 that the government created the Department for National Research Affair (*Departemen Urusan Research Nasional*), whose duty was "to coordinate, stimulate and conduct research for the purpose of national development."[76] The institutional environment for researchers and experts thus grew significantly. Aside from the Leknas and universities, other large economic organizations like Bank Indonesia, Bank Negara Indonesia, General Management Boards and so forth also came to conduct their own research.[77]

The university was another important institution, which expanded the influence of the expert. Higher education received significant attention by both Depernas's Eight Year Overall Development Plan and the government in general. The Plan requires the establishment of a separate Higher Education Ministry from the more general of Ministry of Education and Culture, which was achieved in 1961.The creation of the Department of Higher Education and Science on April 1961 and the regulation on universities (*UU Perguruan Tinggi*) tried to integrate the universities as part of the development and revolution of Guided Democracy. The universities produced an ethical oath called the Tri Dharma or three purposes of higher education, whose third purpose specifically endorsed its role in societal development. This was interpreted as greater state intervention, especially in such matters as the curriculum. The Conference of Similar Faculties was held for 12 types of faculties teaching in the country, which resulted in the formation of the Expert Committee on Similar Faculties. These committees would help the

74 Madjelis Ilmu Pengetahuan Indonesia or the Science Council.

75 M. Makagiansar and Widjojo Nitisastro (eds.), *Research di Indonesia*, p. 13.

76 M. Makagiansar and Widjojo Nitisastro (eds.), *Research di Indonesia*, p. 14. "… untuk mengkoordinir, menstimulir dan mengadakan research untuk kepentingan dan pembangunan Negara, baik dibidang ilmu-ilmu pengetahuan semesta alam, maupun dibidang ilmu-ilmu pengetahuan social dan kemanusiaan dengan memberikan prioritas kepada research dibidang produksi."

77 Mohammad Sadli, "20 Tahun Perkembangan Ilmu Ekonomi di Indonesia" in M. Makagiansar and Widjojo Nitisastro (eds.), *Research di Indonesia*, p. 188

Department to evaluate the results of the conferences in order to streamline the curriculum of faculties throughout the nation.[78]

The government was committed to the formation of a state higher education institute in each province and to strengthening the science and technology sector in the quest for industrialization.[79] In 1962, a series of inter-university and inter-faculty meetings was conducted in order to discuss the creation of a uniform national curriculum and teaching methods. The Expert Committee on Uniform Faculty, which met on 20-22 December 1963, created a Ministry Ruling Concept on the curriculum faculty of all sciences, to be composed in a Government Regulation at a later date. Many facets of the student's university learning experience were regulated within government decisions. The number of hours per semester, the percentage to be devoted to laboratory work (*praktikum*), the number of classes per semester and so forth.[80]

The designation of feeder universities, whose duty was to provide teaching staffs or training to faculty members of other universities, aimed to provide uniformity. All feeder faculties came from either the University of Indonesia or Gadjah Mada University.[81] All feeder faculties had university affiliations with American universities. What was significant here was the fact that American affiliation continued into the Guided Democracy period. Also continuing the elitist nature of the development was the fact that a survey of Gadjah Mada University students in 1960 showed that 84 percent of students came from urban high schools and 60 percent from only three major cities.[82]

In November 1962, the Conference of Economics Faculty (*Konperensi Antar Fakultas Ekonomi*) was held to develop the economic curriculum on Indonesian socialism. In order to determine what exactly counted as Indonesian socialist economy, especially in relation to the contents to be

78 Barli Halim, "Ilmu Ekonomi Perusahaan", p. 220-222.

79 Kenneth Lee Neff, *Educational Planning in a National Development Context: Indonesia, a Case Study*, p. 180.

80 Bachtiar Rifai, *Perkembangan Perguruan Tinggi*, p. 64.

81 Faculty of Medicine, University of Indonesia, Institute of Agriculture Bogor, Institute of Technology Bandung, Faculty of Agriculture and Forrestry, Gadjah Mada University, Faculty of Social and Political Science, Gadjah Mada University, Faculty of Law, Gadjah Mada University and lastly, Faculty of Economics, University of Indonesia. Bachtiar Rifai, *Perkembangan Perguruan Tinggi*, p. 68.

82 Joseph Fischer, "Indonesia" in James S. Coleman, *Education and Political Development*, (Princeton: Princeton University Press, 1965), p. 95.

included in the curriculum, a series of conferences were held. The Third Congress of the Indonesian Economic Scholars Community (*Ikatan Sardjana Ekonomi Indonesia*) was held at Cipayung in December 1960, followed by the First Seminar on Agricultural Marketing in Bogor in December 1962, the Second MIPI Congress in Jakarta in October 1962 and the Grand Congress (*Musjawarah Besar*) of Economic Scholars and Experts in Jakarta in April 1964.[83] There was an effort to introduce new economic literatures from socialist countries, for instance the books written by Polish planning specialist Oscar Lange or socialist economists from the West like Paul Baran.

The articles were made to form the core of a new 'Indonesianized' economics content, while taxes on academic books were waived. There was thus an effort to try to develop an Indonesian science as opposed to merely importing American and socialist books and ideas. It underscored both the increasingly pervasive nature of state intervention and the support for the development of an Indonesianized economics and other social sciences.

MIPI had decided in 1960 to expand research through the creation of seven research institutes, among them the National Economic and Social Research Institute or *Lembaga Ekonomi dan Social Nasional* (Leknas). In March 1962, MIPI appointed an advisory committee headed by law expert Soediman Kartohadiprodjo, with anthropologist Koentjaraningrat, economist Muhammad Sadli, sociologist Selo Soemardjan, international politics and law expert M. Makagiansar and agricultural specialist Kampto Utomo.[84] In March 1963, Leknas was created. Immediately, Ford Foundation provided Harvard advisers for the Leknas.[85] Another important research organization directly under the FEUI program was the Economic and Social Research Institute. Prior to the formation of Leknas, this institute in fact played a greater role in economic research. Planning authorities were thus exposed to both foreign and Indonesian economists. For instance, in October

83 Barli Halim, "Ilmu Ekonomi Perusahaan", p. 221

84 Sadarjoen Siswomartojo, *A Tentative Statement about the Set-up, Nature and Purpose of the National Institute for Economic and Social Research of the Council for Sciences of Indonesi*a, (Jakarta: Leknas, 1963), p. 4.

85 Joseph J. Stern, "Indonesia-Harvard University: Lessons from a long-term Technical Assistance Project" in *Bulletin of Indonesian Economic Studies*, Vol. 36, no. 3, December 2000, p. 113-125.

1964, foreign experts from ECAFE in Bangkok were invited to teach at an upgrading course in the field of planning engineering and methods.[86]

As older, Dutch-trained experts lost their positions, were made redundant or died, the field was opened for greater participation by American-trained experts. Older economists or managers, like Sumitro Djojohadikusumo, Mohammad Hatta, Sjafruddin Prawiranegara or Jusuf Wibisono, had by now been effectively sidelined. People like Djuanda Kartawidjaja or Mohammad Yamin passed away in the early part of the 1960s.[87] The Communists attack on Western-trained experts and followers of Sumitro delineated the significant position they had within the government. They had initially sought political protection from First Minister Djuanda and elites like Mohammad Hatta or Sjahrir.[88] Later on, their position became more entrenched within the bureaucracy. "Because most economic graduates were still relatively young, starting from the year 1963 some of them had reached strategic, influential or honourable functions, for instance, as aids to ministers, heads of directorates or offices, presidential directors or members of corporate directions, heads of mass organizations, private organizations, professors, deans and vice rectors in universities. The rise to the position of ministers or university rectors by economists became a phenomenon only by 1964 and 1965. In general, these last years formed the start of the rise of the economists in higher levels of the society and bureaucracy."[89] Even so, competent experts and technocrats were "dispersed throughout several departments and isolated from any central point of authority."[90]

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86 Soeharto, "Pidato penutup" in *Hasil Konferensi Kerjda Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 147.

87 Juanda died November 1963 and Mohammad Yamin in October 1962.

88 Herbert Feith, *Soekarno-Militer dalam Demokrasi Terpimpin*, (Jakarta: Pustaka Sinar Harapan: 1995), p. 103.

89 Mohammad Sadli, "20 tahun perkembangan ilmu ekonomi di Indonesia", p. 184. "…oleh karena kebanjakan sardjana ekonomi relatip masih muda maka baru sedjak tahun 1963 beberapa diantara mereka mulai menduduki fungsi2 jang strategis, berpengaruh atau jang terhormat, seperti misalnja pembantu2 menteri, kepala2 direktorat atau djawatan, presiden direktur atau anggauta direksi perusahaan besar, anggauta pimpinan ormas2, organisasi swasta, guru besar, dekan dan pembantu2 rektor universitas. Dipegangnja beberapa kedudukan menteri dan rector universitas oleh sardjana ekonomi baru mendjadi gedjala tahun 1964 dan 1965. Pada umumnja, tahun2 jang achir ini baru menundjukkan permulaan dari muntjulnja kaum sardjana ekonomi ditingkat2 atas masjarakat dan birokrasi."

90 *Human Resource Development. Problems, Policies, Programs*, p. 13.

The rise of this technically competent generation was, according to Feith, significant in understanding the continued promotion of revolution by the older generation. "If the government were to speak less and less of the need for revolution and instead to declare economic development as the principle of challenge of the present period", the top political leaders and head of government enterprises "would soon have their positions contested in the name of government's ideology by others who could claim greater technical competence."[91] The contenders to these posts were either the old, administrators who had lost their job or the up-and-coming university graduates with their formal education and bitter experience of having their career paths blocked by the current elite.[92] The Communists in turn attacked economists by using revolutionary rhetoric. According to Aidit, these experts were not showing their true colours, but secretly undermining the revolution. "These cynics apparently obtain their wind and inspiration from the poisonous materials in the bulletins and periodical stencils spread by Sumitro and his agents within government offices and other parts of our government and economic apparatuses."[93] The absence of Communists within this structure was a significant factor. The party had its own educational system based on the Universitas Rakjat and the Ali Archam institute, but "the paucity of Marxist knowledge and of the scholarly output of its leaders"[94] further marginalized their position as outsiders to this institutional development.

The most serious attack on the entrenched position of the 'Sumitro followers' occurred in 1961, when Sukarno appointed Iwa Kusumasumantri, a radical nationalist with close ties to the Murba and PKI, as Minister of Higher Education and Science (*Menteri Pendidikan Tinggi dan Ilmu Pengetahuan* or PTIP). Previously, higher education was under the Ministry of Education and Culture, which assumed responsibility for all education in the country. It was headed by Minister Prijono, a Murba-member who

91 Quoted in J.A.C. Mackie, *Problems of the Indonesian Inflation*, p. 52.

92 Herbert Feith, *Sukarno-Militer dalam Demokrasi Terpimpin*, p. 102-103.

93 D.N. Aidit, *Dekon dalam Udjian*, (Jakarta: Jajasan Pembaruan, 1963), p. 7. "Kaum sinis ini ternjata pula mendapat angin dan inspirasi dari bahan-bahan ratjun berbentuk buletin-buletin atau stensilan-stensilan periodic jang pada saat ini diedarkan oleh pengchianat Sumitro dan agen-agennja dikalangan-kalangan pegawai perusahaan-perusahaan negara, kantor-kantor pemerintahan dan lain-lain bagian daripada aparatur pemerintahan dan ekonomi negeri kita."

94 M.A. Jaspan, *Aspects of Indonesian Political Sociology in the late Sukarno Era*, (Nedlands: Centre for Asian Studies, 1967), p. 20-21.

had received the Soviet peace prize.[95] Iwa Kusumasumantri made several important changes to the curriculum and textbooks, especially in the field of social sciences. His approval was made necessary to allow students to study abroad, which resulted in a stop on sending Indonesian students to the United States, and he asked students to report on signs of the teaching of liberalism in the universities.[96] His high-handed dealings with faculties and members and his effort to introduce political goals created many enemies within the university and outside it. In the cabinet reorganization of March 1962, Tojib Hadiwidjaja, a non-party and army approved candidate, replaced him, commencing the long-term army control of the universities and campus in much of twentieth century Indonesia. As was the case with the production of technocrats or army specialists, the left was never able to take hold of higher education.[97]

Research organizations, such as Leknas, were institutionally connected with leading universities, in particular the University of Indonesia. Leknas was not able to send its staff to the United States until 1963 and had to rely for much of its research on graduates from FEUI. A look into the activities of Leknas in 1963 would give a glimpse of the kind of community and relations in existence in the middle of the Guided Democracy period. Leknas did not have a ready expert staff of its own in its early years. As a matter of fact, its managing committee came from Indonesia's newest and brightest social scientists fresh from a postgraduate education in the United States; these included the economists Widjojo Nitisastro and Sarbini Sumawinata, the anthropologist Koentjaraningrat and the sociologist Selo Soemardjan. They represented the 'Indonesian godfathers' of their respective sciences. Leknas also employed consultants like economist Mohammad Sadli, Everet Hawkins and Kurt Martin, among others, and counterpart consultants like Ali Wardhana and Harun Zain. In June 1963 Leknas signed a consultancy agreement with the Harvard Development Advisory Service.

95 John Bresnan, *At Home Abroad*, p. 42.

96 Herbert Feith, *Sukarno-Militer dalam Demokrasi Terpimpin*, p. 84.

97 For more on the Army-Communist struggle over higher education see Thomas R. Murray, "Indonesian Education: Communist Strategies (1950-1965) and Government Counter-Strategies (1966-1980)" in *Asian Survey*, Vol. 21, No. 3, March 1981, p. 369-392. Also Agus Suwignyo, *The Breach in the Dike: Regime change and the standardization of public primary-school teacher training in Indonesia (1893-1969)*, (PhD Dissertation Leiden University, 2012), p. 399-406.

Leknas began sending their employees abroad to pursue postgraduate studies in the same year. Thee Kian Wie, Julian Luthan and Lukman Siahaan were sent to do a masters study of economics at Wisconsin and Indiana University, T.S.S. Sutanto studied administration science at Pittsburgh, while Tan Giok Lan and Harsja Bachtiar studied sociology at the University of California in Berkeley and Harvard respectively and D.M. Wattimena also studied social psychology at the University of California in Berkeley. Since October 1963, a regular weekly seminar was held at Leknas, together with the Indonesian Science Council and the Department of National Research. Initially, the seniors, consultants and counterpart consultants would give a talk on actual and theoretical issues. The 'juniors' would later contribute to the talks as well. The first workshop was held in April 1963; it dealt with the issue of taxation and was headed by economist Prof. Sarbini Sumawinata. A second workshop, on the issue of managerial de-concentration in government-owned enterprises headed by Mohammad Sadli, was held in July 1963. Both these themes were raised in support of the Deklarasi Ekonomi program that was announced in March of the same year. In September 1963, Kurt Martin headed a seminar entitled 'Inflation and economic growth.'

The relationship with Universitas Indonesia was intimate indeed, but Leknas also reached out to other institutions. Everett Hawkins and Harun Zain conducted discussions and concluded agreements with Universitas Gadjah Mada and Universitas Padjadjaran as well as cooperation with government departments, including the Department of Basic Industry and Mining. Much of the foreign relationships were with American or UN institutions like the Harvard Development Advisory Service, the Center for Research on Economic Development at Michigan University, UNESCO's Research Centre on Social and Economic Development in Southern Asia in New Delhi and the Economic Commission for Asia and the Far East in Bangkok. But in concordance with a shift in emphasis in the curriculum to better reflect Indonesia's socialist economy, there also were efforts to contact socialist social scientists including two Russian economists on the problems of Indonesian economic growth in August 1963.

Bappenas

Efforts to recentralize planning resulted in the formation of the dichotomous Bappenas-Muppenas structure, which was inaugurated in December 1963. This was part of the changes related to the Deklarasi Ekonomi policy and, in fact, the Bappenas was mentioned initially within the Ambeg Parama Arta speech in Parliament on 15 May 1963. In accordance with the Presidential Decision no. 12 1963, the body wielded wide authority.

> "For the purpose of perfecting the National Overall Development Plan and the need to create detailed and derivative continuation, and in the effort to strengthen the integration of all government apparatuses, the Depernas in its former form and position is integrated into the executive government apparatus or body, by changing its structure and composition in accordance to the present development needs. After the Depernas completes its duties to create a Development Conception in accordance to our development principles laid down within the Presidential Development Address in written and oral forms, we then need a more technical Development Planning and Supervision Apparatus within the level of growth of our Revolutionary Development. For this reason, the reforms and changes of the Depernas are focused on the creation of the National Development Planning Body or Bappenas, which would perfect the Executive Body in executing the planning and supervision of development throughout the country under the leadership of the First Minister assisted by a technical Minister. The Staff of the Bappenas will be composed of TECHNICAL EXPERTS in planning and development whose duty is to create detailed plans, in the form of yearly and long-term plans, as a perfection and continued implementation of our Development Conception."[98]

If the Depernas was a political organization that created national planning, the Bappenas-Muppenas acknowledged expert participation within the Bappenas, while giving a voice to the political and social organizations. "Our Development Planning apparatus has recently made significant strides. This is the culmination of historical development and experience in the last

98 Quoted in R. Soerjadi, "Sistim Ekonomi Terpimpin dibidang Moneter", speech given at the HSI Economic Seminar, 20 July 1963, p. 31-32. ANRI, RoeslanAbdulgani, inv. Nr. 1082. Capitalization according to the original.

10 years, from the BPN to Depernas and lastly to Bappenas."[99] The realization of the need for the creation of a good apparatus was apparent in many of the reports of Muppenas/Bappenas. "We know with clarity that our economic difficulties cannot be handled purely through formulating economic plans. As regards the gist of the recent Presidential Political Address (*Amanat Politik*), however good an economic plan, its success is determined by the conditions of its apparatus."[100]

Although at the time the Bappenas was not fully under the control of the technocrats, as opposed to its role as a technocratic body par excellence for the New Order state, it was part of the rise of the new technocratic elites into various policy-making and expert-producing positions and represented an iconic change signifying the possible transition toward technocracy. The Bappenas had as its duty not only the creation of a national plan, but also its surveillance and implementation. No doubt, the Bappenas opened doors for greater technocratic participation as Sukarno repeated in his speech; "the staff of the National Development Planning Board will be composed of technical experts in planning and development, whose duty is to write up detailed planning, on an annual and long-term basis, as a form of perfecting and implementing further our Development Conception."[101]

Three lessons had been learned from the failure of the Depernas. First, the lack of reliable data on important economic figures underscored the need to have credible research centres on economic data-especially statistical data concerning population growth, gross domestic product and domestic capital

99 Soeharto, Pidato Pembukaan oleh J.M. Menko Urusan Perentjanaan Pembangunan Nasional" in *Hasil Konferensi Kerjda Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 3. "Aparatur perentjanaan pembangunan kita telah mengalami kemadjuan jang pesat pada waktu achir2 ini. Hal ini adalah hasil perkembangan sedjarah dan pengalaman dalam pembangunan selama 10 tahun, dari Biro Perantjang Negara ke Depernas dan kini ke Bappenas."

100 *Kesimpulan-kesimpulan dan KertasKedja. Musjawarah Muppenas ke III*, p. 6, "Kita mengetahui dengan djelas bahwa kesulitan[2] ekonomi tidak bisa kita atasi hanja dengan perumusan[2] tentang rentjana[2] pembangunan ekonomi jang baik. Sebab sesuai dengan tjanang P.J.M. Presiden dalam Amanat Politik beliau jangbaru lalu maka bagaimanapun baiknja suatu rentjana ekonomi pelaksanaannja tergantung pada keadaan aparatur."

101 Soekarno, *Ambeg Parama Arta. Berwatak Pandai Mendahulukan Urusan jang Penting*, (Jakarta: Departemen Penerangan, 1963), p. 30. "Staf Badan Perentjanaan Pembangunan Nasional itu akan terdiri atas AHLI-AHLI TEHNIS perentjanaan dan pembangunan, jang bertugas membuat rentjana-rentjana terperintji, baik rentjana-tahunan maupun rentjana-djangka-pandjang, sebagai penjempurnaan dan pelaksanaan lebih landjut daripada Konsepsi Pembangunan kita"

for investment.[102] Second, the failure spelled-out the need to put the available expertise within the country to better use. Third, it highlighted the failure of corporatist planning and stressed the need to 're-centralize' economic policy-making within a highly competent environment. The lack of oversight and implementation was also a major problem, which the Bappenas-Baperdep-Bakopda structure was to solve.[103] The number of economic research bodies was expanded during the period. One of the most pertinent had been the Central Statistical Board (BPS),[104] a one-time colonial body, which by then lacked the capability to formulate economic data, including the national income index. Since 1955, economist Sarbini Sumawinata, who had been trained by Nathan Keyfitz, had headed the BPS.[105] Economic research on Indonesia was forthcoming through the Faculty of Economics of the University of Indonesia. Steady cooperation with American universities and support from the Ford Foundation allowed more Indonesians to study in US universities.

The Bappenas was created in December 1963 by a Presidential Decision, which integrated Depernas with the Bappenas while at the same time reducing it to a body under the office of the President, rendering him yet another title as coordinator of the Minister for the Coordination of Development and day-to-day supervisor of the Minister for the Matter of National Development Planning (UPPENAS).[106] This reintegration under the executive was reiterated in Sukarno's May 1963 *Ambeg Parama Arta* speech in which he outlined the country's economic policy (*deklarasi ekonomi*/ dekon), a terminology that, according to Lance Castles,[107] was influenced by management science. Thus, the planning body was downgraded from a

102 Sutikno Slamet, "Uraian mengenai pembiajaan pembangunan nasional, pengawasan dan penilaian" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 97.

103 *Hasil konferensi Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 19-20.

104 Badan Pusat Statistik

105 David Webster, *Fire and the Full Moon. Canada and Indonesia in a decolonizing world*, p. 88 and Sarbini Sumawinata, "Recollections of my career" in *Bulletin of Indonesian Economic Studies*, Vol. 28, No. 2, August 1992, p. 45-48. The development was slow, but the first post-colonial population census was published in 1960.

106 Urusan Perentjanaan Pembangunan Nasional. For more on structure of Bappenas see Hamzah Nasution, "The Organization of the Planning Agency" in *Bappenas News Bulletin*, No. 1, Vol. 1, 1964, p. 30-35.

107 Lance Castles, *Bureaucracy and Society in Indonesia: Paper for Discussion*, (S.n.: s.n., no date).

high government body to an adjunct of the Presidential office, similar to the position of the BPN within the Prime Minister's office. The cabinet was also reorganized within a New Style Work Cabinet.[108]

The main thrust of the Bappenas plan was to integrate the regions and the centre within one organizational authority. This was made possible when by the early 1960s the regional rebellions had been suppressed.[109] By 1962, Sumatra was back under control of the central government. The rehabilitation process became part of the discussion on the aplication of socialist models for institutionalized development. For instance, surveys of various planning agencies in Communist countries were made by Panglaykim and Hazil.[110] Special interest was shown in the Soviet Planning model introduced by Premier Khrushchev in the country's sixth five year plan (1956-1960) because of its decentralized and regional character. The Soviet's central-regional or Gosplan-Sovnarkhoze planning caught the fancy of the Indonesian government. The Gosplan or the Soviet state planning commission was quite similar to the Depernas/Bappenas, while the 107 established Sovnarkhozies were regional economic councils that were introduced in the sixth five-year plan (1956-1960) as part of Khrushchev's decentralization plan. Krushchev called for an overall plan with the focus on creating greater efficiency and managerial leadership in order to provide greater responsibility to the republics, the ministries and the administrators of productive enterprises.

Ideas in developing a central-regional planning body that could function independently and serve to fine-tune the planning process were increasingly accepted. Earlier plans for regional planning bodies were seen as contradictory to the corporatist form that centralized everyone within a unified and centralized body. It was argued that the regions were given plenty of representation within the Depernas, and so, regional planning bodies were not deemed necessary: "The government is of the opinion that there are already enough members sitting in the National Planning Council in the capital of Jakarta who are able to bring forward the development problems

108 Kabinet Kerdja Gaja Baru. Sukarno, Amanat PJM Presiden Republik Indonesia pada siding pleno terachir Depernas in *Badan Perentjanaan Pembangunan Nasional (Bappenas). Peraturan-Peraturan*, (Jakarta: Bappenas, 1964), p. 4-7.

109 Guy Pauker, *The Indonesian Doctrine of Territorial Warfare and Territorial Management*, p. vi.

110 Panglaykim and Hazil, *Struktur Management dan Organisasi dalam beberapa Negara Sosialis*.

of first level regions of local autonomy."[111] The government was possibly more assured now of the docility of the regions after Jakarta's successful clampdown and thus more willing to provide regions with institutions that were previously seen as increasing the degree of independence from the centre.

An Economic and Social Research Institute survey conducted between October 1961 and February 1962 affirmed major problems of coordination. J.E. Ismael wrote "for instance, the Public Works and Power Service of some regions does not know whether the road repairs executed are part of the routine plan of their department or whether they are now included as one of the projects of the Plan. Thus it becomes obvious that there is no coordination and communication both between the Departments and Local Governments and between the Departments at the Centre and the Services in the region."[112] He implied that few of the coordination issues that haunted the 1950s had ever been resolved. It was within this spirit of creating true coordination that the necessity for a regional approach was seen as essential. What was envisioned was an integrated regional development plan, as a more perfect alternative to the national overall development plan. Its implementation was to realize the old dream of integrating Indonesia's central and regional governments as one organization for the purpose of development.

Structure and Organization

Bappenas was controlled by a secretariat composed of deputies from the Ministries of General Affairs, Planning and Evaluation.[113]At a lower level eight bureaus were assigned to plan, supervise and evaluate projects in their respective fields,[114] whose functions resembled both the BPN and the FINEK office. The reports of the bureaus would then be used as progress reports by the President to Parliament (MRPS). Aside from the Bappenas,

111 J.E. Ismael, "Some institutional aspects in national and regional development" in *Ekonomi dan Keuangan Indonesia*, Vol. 16, No. 4, October/November/December, 1963, p. 25.

112 J.E. Ismael, "Some institutional aspects in national and regional development" in *Ekonomi dan Keuangan Indonesia*, Vol. 16, No. 4, October/November/December, 1963, p. 25.

113 Wakil Menteri Urusan Umum, Wakil Menteri Urusan Perentjanaan and Wakil Menteri Urusan Penilaian.

114 The bureaus were: management of the revolutionary soul, finance, development, distribution, domestic and legal affair, defence and security, welfare and international organization and relations.

there were also six Permanent Committees on rules and regulations,[115] statistics,[116] development surveillance and evaluation,[117] natural resources,[118] on development funding,[119] on manpower planning[120] and on standardization and normalization.[121] Committee members were composed of experts from within and outside Bappenas and from the government and private sectors. These expert committees provided memoranda, consultation and ideas to the Minister of National Planning (UPPENAS), which oversaw the Bappenas. The last organization was the Muppenas, headed by Vice Head of Bappenas and Regular Head (*Pimpinan Harian*) of Bappenas. It was composed of members of the Assistance Body to Head of Parliament (*Badan Pembantu Pimpinan MPRS*) and Governors. The Muppenas was an advisory body meant to provide advice and ideas in planning and development. What the Bappenas envisioned was thus an executive body with expertise committees from Permanent Committees and parliamentary and regional oversight through Muppenas. This represented the central planning structure of the Republic. This central body was related to both regional and departmental planning.[122]

The planning of Bappenas would be as follows: it designed development policy, which would then be given hearing by the Muppenas. After consulting the Muppenas, the plan would then be proposed to the President. The formation of the plan required the help of two organizations: the Baperdep and Bamunas. The Baperdep collected ideas and proposals from their respective departments and, through their Minister, conveyed them to the Bappenas. The Bamunas also conduct the same process within the

115 Peraturan Presiden Republik Indonesia no. 6 tahun 1964 tentang Panitia Negara Bappenas Urusan Tatatjara dan Peraturan.

116 Peraturan Presiden Republik Indonesia no. 7 tahun 1964 tentang Panitia Negara Bappenas Urusan Statistik.

117 Peraturan Presiden Republik Indonesia no. 8 tahun 1964 tentang Penawasan dan Penilaian Pembangunan.

118 Peraturan Presiden Republik Indonesia no. 9 tahun 1964 tentang Panitia Negara Bappenas Urusan Sumber-sumber Alam.

119 Peraturan Presiden Republik Indonesia no. 10 tahun 1964 tentangPanitia Negara BappenasUrusanSumber-sumber Pembiajaan.

120 Peraturan Presiden Republik Indonesia no. 11 tahun 1964 tentangPanitia Negara Bappenas Urusan Perentjanaan Tenaga Pembangunan.

121 Peraturan Presiden Republik Indonesia no. 12 tahun 1964 tentangPanitia Negara BappenasUrusanStandardisasi dan Normalisasi.

122 *Hasil Konferensi Kedja Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 21-23.

private sector. In connection to budgetary matters, a team composed of the Indonesian Development Bank (Bapindo), Department of Budget and Bank Indonesia provided help in creating the budget.[123] Bappenas and Bapindo would then be assigned to oversee budget implementation. Bappenas would also evaluate the implementation of projects and write a development overview (*ichtisar pelaksanaan pembangunan*). The Baperdep and the Bakopda were obligated to provide their annual plan to the Bappenas. In order to create a better working environment and coordination, various conferences were held between Bappenas and the other bodies in order to synchronize their views on the matter.[124] Bappenas also provided planning courses, for instance, in November 1964 with the Asian Institute for Economic Development Planning.[125]

Baperdep

The Baperdep or *Badan Perencanaan dan Penelitian Departemen* (Departemental Planning and Research Body) was designed to provide help for the coordination and smooth running of government ministries and departments. Created by a Government Decision in February 1964, it functioned to generate annual and long-term development plans and to conduct research for the purpose of planning. The Baperdep consisted of an office in each department with seven to ten experts taken from within and outside the department and headed by a Deputy Minister.[126] Its position in the ministries was as aid to respective ministers with the task to provide proposals. Its decisions and documents had to be signed by the head of the respective departments. It was also instructed to conduct research and investigations for the purpose of development planning with detailed plans, organizational schemes and surveillance systems. It was also instructed to keep close contact with the National Research Department and other research

123 Bank Pembangunan Indonesia (Bapindo), Departemen P3 UrusanAnggaran and Bank Indonesia.

124 For instance, the Bappenas/Baperdep-Bakopda work conference held in September 1964. *Hasil Konferensi Kerda Bappenas/Baperdep-Bakopda tanggal 22 s/d 24 September 1964*, (Jakarta: Bappenas, 1964).

125 *Hasil Konferensi Kedja Bappenas-Baperdep*, (Jakarta: Bappenas, 1964), p. 25.

126 M. Hutasoit, "Uraian mengenai pokok-pokok perentjanaan, organisasi perentjanaan dan hubungan kerdja" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 58.

bodies.[127] In order to integrate university life with the greater revolutionary fervor, especially in provisioning experts to the 'exploding demand' of revolution, the Baperdep was instructed to integrate departmental or university planning with greater planning from other departments or state institutions.

Bakopda

The Bakopda functioned alongside the *Tjatur/Pantja Tunggal*, in which the Provincial Military Government headed a four-headed committee composed of the Governor, Chief Prosecutor and Police Chief. Formed by a Presidential Act in 1961, the shift toward Bakopda was intended to maintain structural continuity after the ending of martial law in 1963.[128] But it was also influential in integrating regional government, including military government, within the Bappenas planning structure. In 1964, the position of the Bakopda was readjusted with the new Bappenas body. Regional Governors became the head of the agency with the task of creating a complementary development plan to the national overall development plan. The Governor as head of Bakopda had the duty to propose complementary development plans to the national overall plan of the Bappenas. He also had to create a regional development plan approved by the Bappenas and, lastly, to coordinate and supervise the implementation of regional projects.[129] During the New Order, the *Pantja Tunggal* would arise in the form of the Muspida, in which the military continue to hold the highest authority and with it, the Bakopda would be renamed as the Bapemda.[130]

The integration of governors within the Bappenas planning scheme meant that the delineation between the Department of Internal Affairs and the planning body was obscured. One third of the Bakopda members hailed

127 Keputusan Presiden Republik Indonesia no. 20 tahun 1964 tentang *Badan Perentjanan dan Penelitian Departemen in Badan Perentjanaan Pembangunan Nasional (Bappenas). Peraturan-peraturan*. (Jakarta: Bappenas, 1964), p. 35-36.

128 David Reeve, *The Golkar of Indonesia. An alternative to the party system*, p. 190.

129 Sumarno Sosroatmodjo, "Peranan Departemen Dalam Negeri dan Pemerintah Daerah dalam melaksanakan pembangunan nasional semesta berentjana tahap pertama" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 22-23.

130 Grant Ronald Minaden, *Administration in the Province of West Java: Patterns of Integration and Problems of Coordination*, (PhD Dissertation Northern Illinois University, 1975), p. 84 and 97. Bappemda: Badan Perentjana Pembangunan Daerah.

from *karya* organizations with members appointed by the Governor as part of its social control. The Governor was not only automatically appointed as head of Bakopda, he also chaired the regional Bamunas. Presidential Decision no. 12/1962 has also placed the Bakopda in the planning, overview and evaluation of village development as well as the wider regional development.[131] This shift in authority toward regional government and heads was part of the decentralization drive in the later part of Guided Democracy. Aside from planning, government-owned companies were also transferred to regional government. The Bakopda also proposed suggestions to the Bappenas and was helped by a secretariat of experts. Experts required a certain level of expertise on one or more development sectors aside from regional development. Even so, the shift toward the *Pantja Tunggal* in 1964, which included the National Front as member of the committee increased the role of the PKI, because many of the National Front organizations in the regions were in their hands.[132] Thus, the Bakopda included both military managers and an increasingly participative Communist movement in the executive.

The Bakopda had the additional task of raising 'funds and forces' for national and regional development; by working together with private business elements and regional development banks that acted as a regional version of the Bapindo. Money for regional development was to be composed of funds from the central government, but also from regional state-owned companies, which were hoped to provide around a third of the necessary funds. Regional Development Banks created in 1962 would also provide funding. The collection of private funds for regional development in effect meant double taxation. Considering that the Bamunas also had the same duty, there seemed to be an increase in rent opportunities for officials at various levels of government.

Bamunas

The root of Bamunas came from the various Indonesian business chambers that appeared after independence, including the KENSI, MII, MPP, MUVI

131 Ukar Bratakusumah, "Uraian mengenai rentjana pembangunan nasional semesta 8 tahun dan pelaksanaanja serta rentjana pembangunan daerah" in *Hasil Konferensi Kerdja Bappenas/ Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 84

132 William Redferns, *Sukarno's Guided Democracy and the Takeovers of Foreign Companies in Indonesia in 1960s*, (PhD Dissertation University of Michigan, Ann Arbor, 2010), p. 52.

and others. They were reorganized following the creation of Depernas and especially after the Dekon all private companies were to be coordinated within one body.[133] This was the Bamunas, which was inaugurated by Sukarno on 20 February 1964 at the Bappenas building in Jakarta. Attended by Second Vice Premier J. Leimena, Third Vice Premier ChairulSaleh and the Minister for National Planning (Uppenas) Suharto and the Minister for the Affair of Funds and Forces. Its first congress was held in February 1965. The congress saw the need for a greater integration of the private sector, public sector and cooperatives planning to complement overall national development. The national private corporate world was required to keep in line with the ethics code of the state-created *Ikrar Panca Bakti*.[134] A Private Corporate Honour Committee (*Dewan Kehormatan Swasta*) was set up to give necessary punishments for companies failing to follow the ethics code and root out reactionary and contra-revolutionary businessmen. As Soebandrio, First Vice Prime Minister, said "the function of national private business in a capitalist society was inherently different from the function of national private business within the Indonesian revolution toward the creation of a Socialist Indonesian society."[135]

The purpose of Bamunas was to collect the funds and forces of the private sector for revolution, in terms of money, experience and expertise. It was composed of representatives of OPS or Organization of Similar Companies (*Organisasi Perusahaan Sedjenis*), which meant in practice all private companies.[136] The OPS was part of the restructuring of the Indonesian economy in the early 1960s, which required all companies to be integrated within state-led chambers of industries or commerce. Funds from private companies were to be expropriated by the Movement for the Registration and Signs of Loyalty to the Revolution or Gekerev (*Gerakan Kebangkitan Swasta*

133 *Sedjarah Perkembangan Pembangunan Daerah Djawa Barat tahun 1946-1965*, (Bandung: Bakopda Djawa Barat, 1965), p. 230-231.

134 The Five Service Oaths, which became associated with the Golkar Party, is an oath of service to the nation.

135 *BAMUNAS. Musyawarah Pusat Bamunas ke-I, 19-20 Februari 1965*, (Jakarta: Bamunas, 1965).

136 Notohamiprodjo, "Peranan pengusaha nasional swasta dalam Revolusi Indonesia" in Moh. Djambek (ed.), *Doktrin Ekonomi Terpimpin dan Pembangunan*, (Jakarta: Serbaguna, 1964), p. 180-181.

untuk Revolusi).[137] Private businessmen had agreed to invest in capital to the state at both the central and regional government within a one-year target.[138]

In this sense, the financing of the Big Push was to be transferred from national savings or foreign direct investments toward the remaining free money in the economy. Trust in the Indonesian rupiah had fallen dramatically low since the early 1950s and this extended to mistrust of the banking system as a whole, because the government effectively robbed the private sector through inflationary measures. Expropriation through banking channels was difficult as few were foolish enough to keep their savings in banks. In his speech at the meeting, Chaerul Saleh lamented on the need for the people to sacrifice for the revolution and tried to convince what must have been sceptical businessmen that the government was "done with revolutionary discussion" and would focus on the practical application of economic growth.[139] As was typical of Guided Democracy institutional logic, the answer to a dysfunctional tax-collecting agency was a dysfunctional Ad Hoc non-tax collecting agency.

The aim was to collect 100 billion rupiahs for the Central Bamunas and 126 billion rupiahs from the 17 Regional Bamunas. The Regional Bamunas working closely with the *Pantja Tunggal* (Regional Government) was to monitor the inflow of funds. The collection of funds was also designed as a measure to reduce inflation. By March 1964, the money supply in the economy was estimated to be around 288 billion rupiahs. It was hoped that half of the money supply could be swept up for development purposes. In an all-Indonesia Pantja-Tunggal conference in March 1964, Regional Governments along with Bamunas were to play a pivotal role in reducing 'hot money' from the system.[140] They also conducted activities at the regional level. In 1964, the Bamunas provided voluntary workers for the Djatiluhur project from 60 West Java OPS. The West Java Bamunas also planned a civil

137 Gerakan Pendaftaran dan Tanda Kebaktian Pengusaha Swasta terhadap Revolusi

138 Notohamiprodjo, "Peranan pengusaha nasional swasta dalam Revolusi Indonesia" in Moh. Djambek (ed.), *Doktrin Ekonomi Terpimpin dan Pembangunan*, (Jakarta: Serbaguna, 1964), p. 181.

139 Chaerul Saleh, "Amanat JM Wkl Perdana Menteri III, Dr. Chairul Saleh pada Musjawarah Pusat Bamunas ke I" in *Musjawarah Pusat Bamunas ke I, 19-20 Februari 1965*, (Jakarta: Bamunas, 1965).

140 Notohamiprodjo, "Peranan pengusaha nasional swasta dalam Revolusi Indonesia" in Moh. Djambek (ed.), *Doktrin Ekonomi Terpimpin dan Pembangunan*, (Jakarta: Serbaguna, 1964), p. 185.

defence to be operational by May 1965.[141] The Bamunas was symbolic of the chaos and hypocrisy that permeated the latter part of the Guided Democracy (1962/3-1965). Disguising itself as a revolutionary movement, it was to a large extent nothing more than an extra-tax method for extracting revenues from the last remaining source of funds within the archipelago, the private businessmen.

The BPN's Five-Year Development Plan and Depernas's Eight-Year Overall Development Plan required some form of foreign aid or foreign direct investment. Future developments were to require more direct domestic taxation in a move euphemistically called the collection of funds and forces for development. These included the production sharing-contracts with Western oil companies, incidentally the only real source of domestic development funding during the last years of Guided Democracy.[142] During the colonial period, taxation represented 64% of government receipt and increased to 77% by 1939. In the post-colonial period, taxation climbed up to 90% of non-loan government receipt, while government-owned companies contributed a miniscule amount.[143] The shift toward non-tax extraction of remaining liquidity painted a picture of government desperation.

What was created was a series of organizations that aimed to institutionalize coordination for development. Thus, the Bappenas had the task of creating a development policy, which would then be proposed to the President after a thorough hearing within the Mupennas. The Baperdep, Bakopda and Bamunas had an active role within the policy creation by providing materials and suggestions to the Bappenas. The Bappenas was also entrusted with creating a draft annual plan that was then submitted to the government. The Baperdep's duty in this was to develop a departmental plan proposal to be given to the Bappenas through each respective minister. Private sector planning was to be created with the cooperation of the Bamunas and private organizations. For the development plan budget, the Bapindo,[144]

141 *Sedjarah Perkembangan Pembangunan daerah Djawa Barat tahun 1946-1965*, (Bandung: Bakopda Djawa Barat:, 1965), p. 232.

142 A bonus of 5 million dollars paid by the Pan-American Oil Company. See Soerjadi, "Sistim Ekonomi Terpimpin di bidang Moneter" in *Untuk Pelaksanaan Dekon. Hasil2 Seminar Ekonomi HSI*, (Jakarta: Departemen Urusan Research Nasional, 1964), p. 127.

143 Douglas Paauw, *Financing Economic Development. The Indonesian Case*, (Glencoe: The Free Press, 1960), 169-170.

144 Bank Pembangunan Indonesia or Indonesian Development Bank

Department P3 and the Budgetary Office and the Bank Indonesia worked along with the Bappenas to propose a development budget to the head of the Bappenas. General monitoring of development plans would be conducted by both Bapennas and Bapindo. Evaluation would be conducted by the ministries dealing with the economy, the Departments/Baperdep, Bapindo, the Statistics Bureau (BPS), while the private sector evaluation would be conducted by the Bamunas.

In order for this massive institutional coordination to take place, departments and regions were compelled by law to provide annual plans to Bappenas, which would then evaluate and correct them in the light of the national plan. The task of formulating the annual Presidential progress report was given to Bappenas. It was thus also a plan for the decentralization of national planning, a move that was, in many ways, the result of the studies conducted in East European countries during the period. A series of conferences between Bappenas, Baperdep and Bakopda was conducted in 1964 and 1965[145] in order to ascertain the borders of authorities and relationships between each organization. Another important difference was the way in which Bappenas restored the foreign relations and aid that BPN once enjoyed as Indonesia's planning body. Lectures held by foreign experts became a regular occurrence and help from the Asian Institute for Economic Development Planning in Bangkok heralded the re-start of foreign institutional relations. The gathering of expertise could be seen in the Baperdep's national research group, which included various ministers that dealt with government research and Prof. Sadarjoen Siswomartojo, head of Leknas.[146] The spread of experts within these bodies and the linkages to the Ministry of National Research and the Leknas was a significant development cementing expert relationships within the bureaucracy. Bappenas was also expected to help the Coordinating Committee on Foreign Aid and

145 First from 9 July – 11 July 1964 at the Bappenas building in Jakarta, a second one was a Bappenas-Baperdep-Bakopda conference in 22 – 24 September 1964.

146 Bapedep's National Research group were composed of, among others, Sudjono D. Pusponegoro, Minister of National Research, Sarwono Prawirohardjo, Assistant Minister on Policy Issue, Sadarjoen Siswomartojo, head of Leknas, S. Th. Brotosajogjo, Head of the Bureau of General Administration of the Department of National Research, HuseinKartasasmita, member of Parliament, S.H. Thaher, member of Front Nasional, Sedijatmo, Department of Public Works and M. Tangkilisan, Vice Governor of Jakarta.

Committee on Production Sharing.[147] The door to foreign aid, especially in education, remained in the hands of technocrats. Bappenas's relationship to this cemented its role as an important technocratic hub.

KOTOE and Konfrontasi

The Komisi Tinggi Operasi Ekonomi (KOTOE) or High Command for Economic Operations was created on 29 April 1962 in relation to the return of West Papua into Indonesian hands. It thus assumed an integrated military and economics approach by seeing the economic problems as part of a wider military problem. Headed by President Sukarno, Djuanda was named Vice Commander with staffs including Sumarno, Soebandrio and Leimena. The elite civilians were thus clothed in military rank. The goals of KOTOE were so obscure that experts outside it could only speculate about them. Many mid-level officers were assigned to administrative jobs, thus pointing to further militarization of the economic operations. After it was created, the KOTOE formed two committees. A Yamin Committee headed by Depernas head Mohammad Yamin would discuss the foundation of the Guided Economy, and the Suharto Committee discussed issues related to the economy, bureaucracy, corruption and other problems, that held back economic growth.[148]

The militarization of management would have closed the loop in the expansion of military into the economy. The failure of the Eight-Year Overal Development Plan meant that the installment of KOTOE was a desperate measure for reforms through centralization. One of the most pressing problems was the provision of foodstuffs. The government had already designed a rice self-sufficiency program in 1959 to be headed by the KOGM in cooperation with the Department of Agriculture and the Depernas. The program was integrated by the Depernas into the Overall Development Plan

147 Marnixius Hutasoit, "Uraian mengenai pokok-pokok perentjanaan, organisasi perentjanaan dan hubungan kerdja" in *Hasil Konferensi Kerdja Bappenas/Baperdep-Bakopda*, (Jakarta: Bappenas, 1964), p. 67.

148 Omas Tusin, "Beberapa titik strategi untuk didjadian pusat perhatian oleh Komando Tertinggi Operasi Ekonomi" in *Fortuna*, Vol. 4, No. 27, (June, 1962), p. 133-138.

and Indonesia was to achieve self-sufficiency by 1962. This obviously did not happen, so the main program of KOTOE was in foodstuff production.[149]

On 28 July 1964, the KOTOE published the *Economic and Financial Policies in order to Overcome Present and Near Term Conditions*, billed as an austerity program to be conducted within the context of the Malaysian confrontation. The bill gave priority for distribution apparatuses, coordination with foreign aid relations, taxation policies that gave preferential treatment to rehabilitate production, fiscal pardon and tax holidays and the creation of a National Marketing Board. It was quite similar to the Dekon program that was espoused in 1963, but unfortunately, like its predecessor, its implementation was hampered by "a lack of *economische denken* by our own policy makers and the pull of vested interests within the government and in outside bodies in society."[150] In September 1964, Sukarno issued the economic instruction no. 9/1964, which shifted its policy from austerity toward confrontation. It tried to stifle trade with Malaysia and annulled shipping contracts with companies from Singapore and Hong Kong while focusing on increasing food production.[151] Military operations were the standard operating procedure of the KOTOE Thunder Operation I, II and III with the navy and police to disrupt smuggling to Singapore, Lantjar Operation to help the flow of goods in Tanjung Priok and the Gulung Operation I, II and III conducted by the police in order to clear the problems with the train network.

The KOTOE placed the military under the command of Sukarno to implement his economic policies. Like the *Tri Ubaya Cakti* doctrine, the military here was seen to be an extension of executive power in conducting its policy of confrontation. The focus was set to apply various measures in order to isolate Singapore. Unlike the Territorial Command and the Army's Civic Action program, the military and police personnel worked under the command of the executive. The fact that a comprehensive economic policy was being divided between a foreign interventionist drive of KOTOE and

149 "Garis-garis Besar Pimpinan Ekonomi Nasional 1962. Mendjelang Pembebasan Irian Barat" in *Fortuna*, Vol. 3, No. 27, (June, 1962), p. 138-141. It was headed by the Minister of Trade Suharto, different from General Suharto who would later become President.

150 *Laporan Tahunan Staf Komando Tertinggi Operasi Ekonomi tahun 1964*, (Jakarta: KOTOE, 1964), p. 2.

151 *Laporan Tahunan Staf Komando Tertinggi Operasi Ekonomi tahun 1964*, (Jakarta: KOTOE, 1964), p. 3.

the rehabilitation drive of the Bappenas signalled the inherent incapability of the Guided Democracy state to focus on an economic plan. The KOTOE and Bamunas thus represented the latest stage of economic management of the Guided Democracy state. Prior to this, there had been a genuine effort at rehabilitation that was dependent on American aid; the Deklarasi Ekonomi or Dekon. It is important to understand why this effort failed.

Conclusion

The implementation of national planning had initially been predicated on a naïve and optimistic view which saw the possibility of 'non-experts' designing and implementing national planning. The failure of this plan and economic deterioration had resulted in a significant revamping of the executive in 1962. At the same time, newly trained experts began to stream into Indonesia, especially from American higher education. Their position in various departments and higher learning/research institutes began to be significant by 1963. The reforms initiated by Sukarno expanded the executive. The failure of the Depernas called for greater participation of a new generation of experts. Thus, on a national planning and bureaucratic level, there was a process of technocratic development. As we will see in Chapter IX, the rise of this new generation would be contested by the concurrently rising Communists. The creation of the Bappenas was a significant development, for this body would play an important role during the New Order. There were obvious differences with the New Order Bappenas, which had become a highly technocratic body, but the structural shift represented an important institutional development that was one of the foundations for the rise of the technocracy.

In the early 1960s, there was an effort to try to use social science, especially scientific management, to understand the problems of Indonesian bureaucracy and to implement measures in order to create more efficient managers and bureaucrats. This was the implementation on what I have termed the 'micro-level,' as opposed to the 'macro-level' of national planning. The expansion of management education and the implementation of retooling and indoctrination courses was an effort to significantly deal with these problems. The next chapter will go into this process and see the extent toward which the effort to implement social science affected the bureaucracy.

CHAPTER VI

The Managers of Social Engineering

This chapter discusses the implementation of both scientific management and the disciplinary efforts of the Guided Democracy. The aims of this effort were to eradicate the problems associated with corruption in the 1950s. The policy-makers at the national level assumed that the problem of corruption in Indonesia was the Indonesian Man himself because he was in their eyes incapable, inefficient, and corrupt. The best way to deal with this was guided corporatism, which assumed the restructuring of society within lines of state authority. To allow greater action at the local, decentralized level would be to acknowledge the relevance of liberalism. Instead, effort was made to discipline the bureaucracy through disciplining the regions by the application of the Bappenas-Bakopda-Baperdep planning structure.

The focus on control and discipline inevitably concerned the military. The expansion of a bureaucratic and business managerial class allowed the military to join the elite. 'Leadership' capabilities, the spatial structure of the offices and homes, and the very behaviour of managers were to be designed through time-motion studies and other scientifically managed planning. The management would in turn impose discipline on the lower levels of productive society. The 'Training Within Industry' program would teach mid-level managers to control the labour force.[1] None of these efforts bore

1 ANRI, Jakarta. Mohammad Bondan, inv. nr. 692, 734, 735 and 736.

fruit. Nasution's attempt to apply managerial ideas across the wider society was quite problematic; Indonesians successfully dodged its implementation.

Typical of twentieth century ideas on the state, the Guided Democracy policy makers believed they could enforce and discipline Indonesian society through state institutions. Even as this disciplining was applied in the 1960s, doubt existed about the success of the exercise. The Guided Democracy state professed that Indonesian society, history and culture formed the foundation for the new society. Instead, culture was manipulated; people were disciplined by social engineering in an effort to push through a state-centred modernization project. Social science was used a mechanism for both legitimating that process while at the same time providing the tools to enforce changes.

The Cultural Pathology of Indonesian Manager

National Planning would supposedly dispense the problem of weak government coordination. Yet that only represented half of the issue. The other half was to recreate the civil service in an efficient and effective manner. The 1950s' bureaucracy was, to a large extent, assumed to be bifurcated with a small but effective centre where the experts congregated, and a large, inefficient, politically active periphery. The recreation of an efficient periphery was a daunting task, but the aim was at least to expand the expertise to a larger area of the government. Yet, management was not confined to the creation of effective bureaucrats, but also embraced the training of effective managers for both state-owned and private companies. Importantly, the rise of Guided Democracy coincided with the expropriation of Dutch-owned enterprises, which triggered a sudden demand for indigenous managers. Managerial positions now also opened up for aspiring army members.

The implementation of modern, scientific management must be seen in tandem with the implementation of the ideals of Guided Democracy. Like the failed corporatist national planning project of the Depernas, the introduction of scientific management sprouted forth from the ideal of creating a new and modern Indonesian person. The roots of these efforts were firmly planted in the disappointing failure of the Indonesian character during the previous laissez-faire period. This was to a large extent related to the 'crisis of leadership' and culture that pervaded the gloom of the

Parliamentary Democracy period.[2] Writing in 1955, Soedjatmoko said this about the Indonesian inability for development:

> "The crisis in which we find ourselves is clearly a crisis of leadership… Herein lies the failure of the old leadership which has guided us to the gateway of independence but which has been unable to disengage us from the mental outlook which brought the first phase to a successful end but does not have the ability to adjust itself to the demands of the second."[3]

Soedjatmoko titled his article in *de Nieuwe Stem* as "The crisis in the Indonesian culture", stressing the cultural theme of the failure of Indonesian development. The profound doubt in the capability of the Indonesian to modernize had been a long-standing belief amongst the colonialists. The idea of plural society was predicated in a perspective that saw a deep chasm between traditional Indonesian society and modern Western society, where the twain never shall meet. This can be seen, for instance, in Boeke's theory of dualism, which stressed that the Indonesian traditional cultural characteristics were not compatible with the rational maximization drive of the Westerners.[4] In the 1950s, Indonesian labour productivity was said to be one of the lowest in the world,[5] pushed on by an organized labour tradition that to many outsiders seemed illogical in its self-destructive capacity. This seemed to confirm a cultural bias in Indonesian underdevelopment.

The Guided Democracy's policy toward this cultural impediment was to home in on what it considered the underlying problem: the authority of the civil service. The inability of the Indonesian managers to give orders to subordinates was a puzzling aspect noted by many Western experts in

2 Especially related to this the effect of the doctrine 'revolutionary nationalism' and the effect of Indonesia's pre-colonial culture on the economy. See Justus M. van der Kroef, "Economic development in Indonesia: some social and cultural impediments" in *Economic Development and Cultural Change*, Vol. 4, No. 2 (January, 1956), p. 116-133.

3 Soedjatmoko, "De Crisis in de Indonesische Cultuur", *De Nieuwe Stem*, Vol. 10, (1955), p. 328-329.

4 J.H. Boeke, *Economics and economic policy of dual societies. As exemplified by Indonesia*, (Haarlem: H.D. Tjeenk Willink & Zoon, 1953), p. 10-20 and 209-229. Boeke stressed on the differences between pre-capitalist village economy and the industrial capitalism of the West. He stressed on the necessity to tailor different policies for different economic and population sectors (the dual societies), a position that is anathema to the nationalist notion of the ability of the Indonesian to become modern.

5 Edgar McVoy, "Some aspects of labor and economic development in Indonesia", in *EkonomidanKeuangan Indonesia*, Vol. 7 (1954), p. 804.

Indonesia. This, more than anything else, resulted in the breakdown of various organizations. Donald Fagg contended that the Javanese notion of authority required the creation of a useful fiction of unanimous support for a particular person in office. That his authority was weak and the clique structure limited his ability to implement action stemming from his authority was beside the point.[6] That a superior's command could, without much consequence, be disobeyed was an important indication of the crisis of authority, even more so when the superior himself for various reasons was hesitant in using his authority. Theories on the failure of vertical authority of the period mostly link it with the failure of Javanese culture.[7] The problem was thus perceived to be an indigenous cultural flaw.

Of course, the problem with this total approach was that scientific management, as a relatively new, American-developed science and perhaps the largest intellectual export of the United States in the 1950s and 1960s, was not capable of changing the culture. It basically exported 'tools' to help the administrator conduct work more efficiently. In fact, much of the effort to instil authority was to be found in the series of surveillance, indoctrination and 'retooling'-based state organizations that focused on creating discipline and instilling the correct attitude to the civil servants on an individual level, as will be discussed below.

The revolutionary character of Guided Democracy was exactly its emphasis on recreating the individual. Sukarno stated in a mass meeting in Medan in 1962, "our revolution is a cultural revolution, a historical revolution, a national revolution, a military revolution, yes a revolution 'to create a new Indonesian man.'"[8] What was significant was the extent toward which both Guided Democracy as an ideology and scientific management coincided in their views on cultural and behavioural change. Garth N. Jones, one of the experts sent to work with the LAN in the early 1960s, thought that "…innovations and modifications, in a system of public administration,

6 Donald Fagg, *Authority and Social Structure. A Study of Javanese Bureaucracy*, (PhD Dissertation Harvard University, Cambridge, 1959), p.565-568.

7 Harry Benda insisted that the roots of Indonesian corruption came from pre-colonial Java, see Harry Benda, "Decolonization in Indonesia: the problem of continuity and change" in *The American Historical Review*, vol. 70, No. 4, (July, 1965), p. 1058-1073. This may also partly have been the result of the fact that many of the most distinguished "Indologist' of the period; Benedict Anderson, Clifford Geertz, etc, were anthropologists, thus the tendency to look into the cultural roots of the Indonesian problem.

8 R.M. Soeparto, "Djiwa Pahlawan" in *Bulletin Lembaga Administrasi Negara*, No. 9, 1962.

are usually possible only if large numbers of people, inside and outside of government circles, change and adapt important aspects of their whole cultural complex of believing, behaving, acting and doing. Significant development and improvements generally occur only with cultural changes."[9] Leon Mears termed the process "re-management" to emphasize the rather 'revolutionary' character of a process of rebuilding a radically different management from the one before.[10]

The problem of authority was a problem of control, both of the civil services in its entirety and the devolvement of capabilities of control throughout the vertical line of command that represented the ultimate source of authority: the 'mythical' Indonesian people. As we have seen in the discussion on national planning, the interesting aspect of control was its pan-ideological characteristic.

Although practically all expertise in the field of management came from American universities, there was a decidedly state-control bias toward the studies and recommendations of both planning and management. The market and 'competition' stayed outside the equation. The change was to be conducted with a top-to-bottom approach, by the steady and capable hands of the experts. Post-war views about the role of the state were an important component. This modernist perspective placed too much trust on the efficacy of the social sciences. Yet, it was a perspective shared by both the capitalist and Communist world of the period. Thus, the fact that American social scientists conducted much of the research it did not reduce its top-down, state and expert-based control. It was actually reinforced. Even so, there were calls for the creation of a specifically Indonesian form of management. "It is apparent that our management experts should start researching, unearthing and looking for a management that is in line with our Indonesian socialism."[11]

By the 1960s, the experiences of technical assistance have become a study in its own right. The 'tools of cooperation' were already well institutionalized allowing for the transfer of knowledge. These 'tools' included general surveys, advisory missions, operating missions, service offices, university contracts,

9 Garth N. Jones, "Some critical areas concerning assistance in Public Administration for Indonesia" in *Bulletin Lembaga Administrasi Negara*, No. 1, 1961, p. 3.

10 Mohammad Sadli, "Masalah perusahaan negara di Indonesia. Laporan symposium pada latihan pembangunan ketatalaksanaan" in *Madjallah Perusahaan Negara*, Vol. 2, No. 18, (June, 1962), p. 7.

11 D. H. Assegaff, "Aspek management dalam Pembangunan Semesta Berentjana", p. 275.

private contracts, visiting professors, seminars, conferences and workshops, training centres and fellowships for studying and training abroad.[12]

There were two interconnected but different developments during the period. On the one hand was the expansion of business management institutions that provided courses for people who were to take over business positions. On the other hand there was an expansion of public management institutions, most of which offered courses, consultancy and research concerning public administration. As in the case of economists, the early 1960s constituted a propitious transitional moment. A study by Caldwell and Timms in 1958 found that there were two kinds of officials in Indonesia: the Dutch-trained ones who were highly dogmatic and resistant to new administrative ideas, and the new Indonesians who had not yet properly developed their own administrative capabilities and thus were not ready to replace the older group.[13] In their view, the civil servants were either old-fashioned or inexperienced.[14]

The Discovery of Corporative Village Values

Indonesian social scientists began to study the Indonesian persona and analyse his potentiality as a modern person and as a good manager. Anthropologists, sociologists and political scientists started studying Indonesia's political and social culture in order to understand the weaknesses of the Indonesian man. Koentjaraningrat studied the village concept *gotong rojong* or communal cooperation in the early 1960s.[15] The sociologists Selo Soemardjan studied the changes and development of the civil service in the feudal heartland of Yogyakarta.[16] There was a concerted effort to dig out Indonesian cultural values that could be used to build up an Indonesian managerial class.

12 Philip M. Glick, *The Administration of Technical Assistance: Growth in the Americas*, (Chicago: the University of Chicago Press, 1957), p. 99-100.

13 Panglaykim, "Pembahasan laporan memperkembang sumber2 manajerial di Indonesia" in *Ekonomi dan Keuangan Indonesia*, Vol. 12, No. 4, (April, 1959), p. 112-136.

14 Caldwell and Timms, Developing the managerial resources of Indonesia. A report to the Biro Perantjang Negara, Indiana University, Bloomington, 1958, p. 9-10. ANRI Jakarta, Mohammad Bondan, Inv. nr. 699.

15 Koentjaraningrat, *Some Social-Anthropological Observations of Gotongrojong in Two Villages of Central Java*, (Ithaca: Cornell University Press, 1961).

16 Selo Soemardjan, *Social Changes in Jogjakarta*, (Ithaca: Cornell University Press, 1962).

Soegito Reksodihardjo, a disciple of the management expert Harold Koontz, appraised Indonesia's managerial development by posing the question "Is the Indonesian fit to become a manager?" He answered in the affirmative, but in order to clinch his argument, he had to deal with Boeke's Economic Dualism. According to Soegito, Boeke's "dissertation was an attack on the traditional method of dealing with the economic problems of Indonesia, which was still based on the deductive approach and very much influenced by the juridical background of the economic curricula in the universities of that period."[17] Boeke adhered cultural values to economic growth, or even spiritual drive, called the economic motive. The Indonesian lacked this value because his social environment produced cultural values on social motives. Soegito criticized Boeke's understanding of the economic motive and argued that the Indonesian farmer made decisions based on sound rational principles.

Yet despite the criticism, Soegito still continued to support a cultural interpretation of the lack of Indonesia's economic growth. "With the increase in the general level of education it is to be expected that rationality will gain in importance among the broader stratum of 'the common people.' When such is the case, it will also be less difficult to make them aware of the importance of such terms as 'effectiveness' and 'efficiency,' and a 'rational' or 'business-like' attitude can be eventually mastered. As long as the average educational levels are very low, emotional, traditional and/or social views are more dominant, and although not impossible, it nevertheless will require considerably more effort to implement a rational or systematic idea."[18] The main difference between Boeke's and Reksodihardjo's idea of cultural impediments to growth was its temporal character, at least seen within Reksodihardjo's interpretation of Boeke's theory. The problem of Indonesia's culture was a temporal one that was to be answered through the expansion of education, and thus the expansion of rational thought that would support the modern value of efficiency.

By portraying the Indonesian masses as chronically irrational, Reksodihardjo opened the way toward the application of knowledge

17 Soegito Reksodihardjo, Skills investment in a developing country: an appraisal of management development for Indonesia, (PhD Dissertation University of California, Los Angeles, 1963), p. 170.

18 Soegito Reksodihardjo, Skills investment in a developing country: an appraisal of management development for Indonesia, p. 154-155.

obtained from studies in the United States and other places. He also put the managerial class in a secure position as rational leaders. "If the economy were left to the masses, the result would probably be that either the subsistence level would persist or that the economy would collapse quickly. First of all, the very low level of education does not permit the people to know much about other needs beside those which are very basic, and with which they are already familiar by tradition. In the second place, even if they are fully aware of their wants, it is still a question whether or not they can do much to alleviate the shortcomings, since the general low level of income does not allow any significant capital accumulation. Third, even the small proportion of the middle class cannot be entrusted with the task of becoming agents for progress."[19]

This tension between modernity and tradition was even more explicitly expressed in the discussion of the 'traditional value' of *gotong rojong* or communal cooperation. M. Widojoko Notoatmodjo's dissertation entitled *Gotong Rojong in Indonesian administration, a concept of human relations*, defended at Indiana University in 1962, sought to understand how the traditional value of *gotong rojong* could be applied to solve Indonesia's managerial woes. He discussed three case studies in order to analyse the situation in which *gotong rojong* was used effectively. He found several factors which determined the effectiveness of *gotong rojong*: environmental background, i.e. whether someone was from a rural, semi-urban or urban background, togetherness, i.e. communality of the person's environment, cultural background, education, profession or social status, the understanding of *gotong rojong*, degree of practice of *gotong rojong*, degree of rationality, i.e. whether a person is more inclined to be emotional or rational or both and tendency toward collectivism.[20]

Like Reksodihardjo's analysis, Notoatmodjo focused mainly on the division between traditional and modern cultural traits. *Gotong rojong* "as a social institution has been known and practiced throughout Indonesia for more than four thousand years, from the time of the population

19 Soegito Reksodihardjo, Skills investment in a developing country: an appraisal of management development for Indonesia, p. 216.

20 M.W. Notoatmodjo, Gotong rojong in Indonesian administration, a concept of human relations, (PhD Dissertation Indiana University, Bloomington, 1962), p. 196.

immigration from the mainland of Asia about 2000 BC."[21] But its application in the modern period was effective only when the individual was not yet westernized. "The domain of *gotong rojong* is any original and untouched village community in Indonesia, the kind of village community in which traditional *adat* law is a guiding principle for every member of the community, and where Western influence has not yet been felt in the way of life of the members of that community."[22] Notoatmodjo believed that *gotong rojong* could only work with people who had not been tainted by the competitive spirit of the Westerners, whose individualist tendency would lead to the disintegration of its efficacy. Notoatmodjo saw *gotong rojong* as a compromise of the type of modernity that Indonesia chose. Instead of implementing full Westernization, the elites of Indonesia wanted to maintain a modernized Indonesian culture. Thus the modern idea of *gotong rojong* was, according to Notoatmodjo, a new creation by Indonesian intellectuals who had enjoyed Western education and training.[23]

The dichotomy between modern and traditional thus was reinterpreted within the Indonesian context. The reinterpretation of *gotong rojong* as modern was made through the reinterpretation of ancient values.[24] Instead of individualism and competition, the new Indonesian man was to work together within a highly corporative social system. This was at least imagined to be the case. Yet, the push toward the incorporation of 'traditional values' strengthened the idea of the dangers of the masses; they were not yet ready and thus had to be led by those rational persons who were ready to do so. These rational persons were the managers. In other words, a tension existed between the assumption of the pathological nature of the Indonesian persons and the efficacy of the new Indonesian managers. There was thus a ready acceptance to receive values, both modern and traditional, which helped the managerial class achieve control, despite the fact that such values kept the Indonesian man at a traditional position.

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21 M.W. Notoatmodjo, Gotong rojong in Indonesian administration, a concept of human relations, p. 205.

22 M.W. Notoatmodjo, Gotong rojong in Indonesian administration, a concept of human relations, p. 205-206.

23 M.W. Notoatmodjo, Gotongrojong in Indonesian administration, a concept of human relations, p. 218.

24 In fact, research has pointed its creation as recent. Javanese farmers themselves first heard the term around the mid-1950s. John R. Bowen, "On the Political Construction of Tradition: Gotong Royong in Indonesia" in *The Journal of Asian Studies*, Vol. 45, no. 3, (May, 1986), p. 545-561.

Business Management

The Management Week (*Pekan Management*) was the first government-sponsored short-term managerial course conducted in 1959. In January, the Planning Body (BPN), in answer to the November 1958 Lynton and Caldwell report, called for a meeting attended by several ministries, the LAN and FEUI. The meeting created a work-committee whose membership included Dr. Subroto, Dr. Sadli, Drs. Panglaykim, Arifin Abdurachman from LAN and Achmad Ali from the BPN. After consulting with the Industrial Management Board (BAPPIT) and the Trading Companies Management Board (BUD), the *Pekan Management* was agreed upon. It was also decided that head company managers were to be sent to Advanced Management Programmes like the ones in Baguio, the Philippines.[25] On 20 February 1959, the Working Committee concluded that the development of managerial manpower should be divided into three groups-a long-term one which involved five years of academic training, a middle term involving 2 to 3 years of semi-academic training and a short term of two to three years company management training.[26]

As a continuation of the Management Week, FEUI created the Development Administrator Course (*Latihan Pembangunan Ketatalaksanaan* or LPK) in cooperation with the Ford Foundation and the University of California. The programme was initially devised by the alumni of the Advanced Management Program Baguio, a Harvard-based programme providing business management training for Asian managers. With Ford Foundation money, they approached FEUI to start a local programme.[27] The programme focused first on collecting business case methods and business cases, sending Dr. Rossal J. Johnson from Northwestern University and Dale L. McKeen from San Francisco State College to direct the collection for two years.[28] The programme accepted high-level managers proposed by their company or office, who would work and live together for a period of

25 Ali Budiardjo, "Sambutan Mr. Ali Budiardjo berkenaan dengan Pekan Management," in Madjalah Ekonomi, Vol. 1, no. 2/3, June/September 1959, p. 163-164.

26 Ali Budiardjo, "SambutanMr. Ali Budiardjo berkenaan dengan Pekan Management," in Madjalah Ekonomi, Vol. 1, no. 2/3, June/September 1959, p. 164.

27 Panglaykim, *Report on Business Management Training in Indonesia*, (Jakarta: s.n., 1959), p. 10-12.

28 Barli Halim, "Latihan Pembangunan Ketatalaksanaan I" in *Fortuna*, Year II, no. 14, May 1961, p. 85-89.

six weeks at a hotel in the highlands of Puncak near Jakarta. The first class of the LPK had 58 persons, 13 from state-owned companies, 35 from private companies and 10 army officers. They discussed 14 Indonesian business cases along with 53 foreign business cases. There were 15 teachers, two professors from Gadjah Mada University and the rest from UI, most of them were American professors teaching under a Ford Foundation-University of California program. Nine assistants were lent to help the students with their study. Each participant was given 10 books with titles varying from accounting to personnel management. The program had a small library containing 87 books, many of them used for reading assignments. The classes were usually divided into two groups, which were changed every two weeks.[29]

Business management courses had been on offer in Indonesia at the FEUI since early in the 1950s and followed the Dutch patterns, which integrated it into various departments instead of constituting a separate faculty. In the early 1950s, the faculty members were mostly composed of Dutch professors. With the deteriorating relationship with the Netherlands, numbers tapered off in 1954. This was compensated for by an agreement between the University of California, the Ford Foundation and the University of Indonesia in the provision of teachers and sending faculty members to finish off their education at Berkeley and other places in the United States. Until 1963, around 20 American professors assisted the teaching in the Faculty, whereas 50-60 Indonesians were trained in various American universities. The same case could also be seen in Gadjah Mada University (UGM) and its ties with the University of Wisconsin, by which UGM was able to send faculty members to Madison for education. Research cooperation with Yale University was also established with UGM. Aside from the United States, the Colombo Plan provided opportunities for education in Australia, Great Britain and other countries.[30]

ITB in Bandung created Business Management Training in cooperation with the West Java Council of Trade and Company, and later on Bamunas West Java. By 1962, there were four classes with a total of 323 students.[31]

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29 Barli Halim, "Latihan Pembangunan Ketatalaksanaan II" in *Fortuna*, Year II, no. 15, June 1961, p. 162-166.

30 Herman Johannes, *Laporan Tahunan Universitas Gadjah Mada tahun pengadjaran 1962/1963*, (Yogyakarta: UGM, 1963), p. 5, 15-17.

31 "Pendidikan Manager di Indonesia" in *Fortuna*, Year III, no. 26, May 1962, p. 81-83.

Between 1959 and 1965, at least 600 businessmen had taken the two-year course.[32]

The Ministry of Development held a Seminar on Industrial Management and Business Administration, dubbed the SIMBA, focusing on industrial management. SIMBA cooperated with the BAPPIT.[33] These state-based courses sometimes cooperated with universities, and constituted a major effort by the state from the 1950s to increase efficiency; witness the TWI programme and its Guided Democracy incarnation, the Productivity Institute.[34] Aside from TWI programmes, the Institute also conducted productivity seminars with the Academy of Company Heads[35] and other state institutes like the Train Office[36] with methods engineering and work study courses. The Productivity Institute also provided a six-week Training Program for Master Trainers. The cost to go on it was not covered by the government but had to be provided by the companies themselves.[37]

Aside from these university-based courses, some private corporations were also active in providing managerial and technical training to Indonesian staff. In fact, by the Finec agreement of the Round Table Conference Dutch companies were committed to provide greater participation for Indonesian employees at the managerial level, although no targets were specified nor were time tables drawn up.[38]

Yet, from early on, American corporations dominated these corporate training programs. The first was the oil company Stanvac, which sent Indonesian employees to follow courses designed to enable them to assume managerial and supervisory positions. The first scholarship program, effectively confined to middle management, was held in 1954, when an accountant was sent to Cornell University and a manager to the Graduate School of Business Administration at Harvard. Employees were also sent to

32 *Sedjarah perkembangan pembangunan daerah Djawa Barat tahun 1946-1965*, (Bandung: Bakopda Djawa Barat, 1965), p. 232.

33 "Pendidikan Manager di Indonesia" in *Fortuna*, Year III, no. 26, May 1962, p. 83.

34 Lembaga Produktiviteit

35 Akademi Pimpinan Perusahaan, a semi-academic course on a high-school level hosted in Jakarta and meant to develop the capability of youngster as candidate for company heads. In the school year 1961/1962, they had 650 pupils with 24 graduates.

36 Djawatan Kereta Api

37 "Program latihan pembina/dosen azas2 management" in *Fortuna*, Year III, no. 28, July 1962, p. 12.

38 J. Thomas Lindblad, *Bridges to New Business*, p. 150.

study business administration at the American University in Beirut, Lebanon and Stanford University, California. Legal specialists were also sent abroad to Leiden University, the Netherlands, among others.[39] By 1959, Stanvac had sent 59 employees abroad. The United States also provided direct assistance to Indonesian companies. The ICA worked with the College of Business Administration of Syracuse University to provide a 12-month program for Indonesians in order to learn about principles of scientific industrial management and get specialized training. In total, 15 Indonesian attended the program. The alumni of the program consequently developed their own management training in Indonesia, working with the Indonesian Chamber of Industries to set up a one-month management course in 1959.[40]

It became clear that corporate-sponsored management courses produced better managers than the university system. The reason for this was that business programs usually had a clear aim, a strong sponsorship for trainees, carefully worked-out schedules and good follow-up support once the trainees returned back home. This was just not possible for various reasons for academic and government-sponsored institutions.[41]

The Banas and other government-owned companies with significant army presence conducted specialized courses for military personnel. In May 1959, the central Bappitt held its first management course, catering to professional soldiers who had taken on the role of administrator. In the same months, the Indonesian Chamber of Industries (*Kamar Industri Indonesia*) held a management seminar with participants representing various private industries. In July, the Indonesian Chamber of Commerce (*Kamar Dagang Indonesia*) held a business management training course, while the Siliwangi Division held an Army Middle Management Training Program, sponsored by the Bappitt East Java with six month duration.[42] If we look at the course given by the BUD between October-December 1960 for the management of state-owned corporations, we can see the extent of the relationship between the various government organizations, the universities and what was becoming the most prominent part of the Indonesian industrial section of the economy. Relationship between FEUI, FINEK, various departments like that of labour,

39 *United States business performance abroad. The case study of Stanvac in Indonesia*, (S.n.: National Planning Association, 1957), p. 76.

40 Panglaykim, *Report on Business Management Training in Indonesia*, p. 13-14.

41 Panglaykim, *Report on Business Management Training in Indonesia*, p. 15.

42 Panglaykim, *Report on Business Management Training in Indonesia*, p. 17-19.

the tax office and the Banas indicate that a community of policy makers and experts were coalescing within these groups which traversed the economic sector, the military, the bureaucracy and the universities.

It is also important to understand that management science provided a language that was elitist and professional. It was a language that promoted both the magic of efficiency and effectiveness, coupling a feeling both of communal solidarity and a sense of superiority. It was one dominated by an Anglicized and scientific culture that determined a specific and elitist white-collar worldview; management, labour relations, leadership, control and so forth.

Topics[43]	Teacher
General Management	Drs. Ang Giok Hoen (University of Indonesia)
Personal Management	Drs. Lo Siang Hien (Department of Labour)
Hubungan Perburuhan (*Labour Relations*)	Sutarto (Department of Labour)
Marketing	Drs.Barli Halim (University of Indonesia)
Pengenal Barang (*Goods Identification*)	Pandelaki (Customs Office)
Transport Ekonomi (*Economy of Transportation*)	Drs. Suhono (Finek Bureau)
Budgetary Control	Drs. Sardjono (University of Indonesia)
Finance	Drs. Njo Tjians Bik (University of Indonesia)
Ekonomi (*Economy*)	Dr. Mohammad Sadli (University of Indonesia)
Perdagangan Internasional (*International Trade*)	Dr. Subroto (University of Indonesia)
Perbankan (*Banking*)/Public Finance	Drs. Sutarto (University of Indonesia)
Work College Perdagangan (*Trade*)	Drs .Sutadi (BUD)
Communications in Management	Wirasutisna MA (Finek Bureau)
Hukum Perdata (*Civil Law*)	Mr. Siregar (Director of API)
Pelanggaran Ekonomi (*Economic Crimes*)	Mr. Murtolo (Attorney General Office)
Assuransi (*Insurance*)	Mr. Siregar (Insurance Cooperating Institute)
Hukum Fiskal (*Fiscal Law*)	Surjono (Tax Office)
Hukum Dagang (*Trade Law*)	Mr. Siregar (Director of API)
Koperasi (*Cooperatives*)	Ir. Ibnu Sudjono (Cooperatives Office)
Research Methodology	Drs. Ismail (University of Indonesia)
Special/Guest Lecturer	
Leadership	Minister of Land Transportation
Cooperatives	Minister of Transkopemada

Source: *Madjallah Perusahaan Negara*, vol. 1, year 1, 1961, p. 24.

43 Language remained in original forms, italics are translated.

The rise of military and state managers blurred the lines between the private and public sector. The private sector had been in steep decline since the start of Guided Democracy. The disastrous monetary reforms of August 1959 were an effective attack on both foreign and domestic capital. Many policy makers thought little of Indonesian entrepreneurs, considering them to be speculators and 'black marketeers.'[44] The expansion in management occurred in the public sector. As 'decentralization' and territorial management resulted in relationships between the military and civilian businessmen, the managerial expansion also replicated the process. By the early 1960s, Nasution could claim that the military had many people with experience in management and that these people needed to be distributed within the field of development.[45]

Image A



Group discussion within the UI's managerial course conducted in Puncak, West Java. Taken from *Latihan Pembangunan Ketatalaksanaanke II, 1961*, (Jakarta: FEUI, 1961), p. 12.

44 Benjamin Higgins, "Introduction," in Benjamin Higgins (ed.), *Entrepreneurship and labor skills in Indonesian economic development*, (New Haven: Southeast Asian Studies, 1961), p. 35.

45 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 206.

Public Management

As was discussed briefly in the previous chapter, the idea for the formation of an organization that would train administrators and conduct research on public management was realized early on. The ideas of Edward Litchfeld and Alan C. Rankin, which were published in 1954, were implemented as part of the rise of Guided Democracy. Public management saw administration as an engineering problem, to be solved through the application of sound logical principles. The idea of a 'scientific' technocracy went hand-in-hand with the ideas colouring much of Guided Democracy's thinking about the civil service. Public management was an obvious and logical extension of the supervision and retooling. Just as public administration was part of a larger administrative science that included business administration, so the *Lembaga Administrasi Negara* or LAN was also part of a larger institutional development meant to create better public administration. This policy included UGM and its Department of Public Administration, Padjadjaran State University, which in 1962 founded a Faculty of Administration teaching Public Administration, Business Administration and Accountancy, and finally ministerial-run educational institutes, such as the Interior Ministry's Academy for Interior Governance[46] in Malang.

Throughout the 1950s, the affairs surrounding the civil service fell into two main government agencies. The first was the Personnel Affairs Board (*Dewan Urusan Pegawai*), established in 1950 and comprising senior members of the cabinet and chaired by the Prime Minister.[47] The board's primary task was to consider and review policies on the Civil Service and advise and propose solutions to problems surrounding the Civil Service. The second agency was the Central Personnel Office (*Kantor Urusan Pegawai*), which was to deal with all aspects of personnel administration at central and local government levels. This included keeping in touch with all public officials on personnel matters, giving advice to all public agencies, obtaining information, drafting rules, regulation, bills, ordinances and edicts affecting the Civil Service, overseeing the application of rules and laws in order to

46 Akademi Pemerintahan Dalam Negeri

47 Sondang Paian Siagian, *The Development and Problems of Indigenous Bureaucratic Leadership in Indonesia*, (PhD Dissertation Indiana University, Bloomington, 1965), p. 84.

prevent violation and controlling the import of foreign workers/experts.[48] The rise of the LAN was complementary to the institutional set up above, although as Sondang Siagian pointed out an array of function was duplicated in both bodies. According to him it would have been more fruitful to amalgamate the two agencies.[49] This was never done.

Lembaga Administrasi Negara (LAN)

LAN was based on Government Regulation no. 30/1957 under the Djuanda Cabinet. Although it had its roots in the Litchfeld and Rankin report, LAN prided itself on its 'indigenous' character. A committee was set up in July 1954, consisting of Vice President Mohammad Hatta, the head of the BPN, Djuanda, the Secretary General of the Ministry of Culture and Education, M. Hutasoit and the Secretary General of the Ministry of the Interior, Sumarman. This committee agreed that an Indonesian program for public administration should be created under the guidance of Indonesians and that public and business administration science should be grouped within a unified faculty. The conclusion of the committee was slow in materializing itself, but did solidify a consensus on the need to form an institute that was to develop Indonesian public administration science and train administrators. In 1956, M. Hutasoit, Sumarman and Ali Budiardjo conducted a series of meetings and presented their findings to the Secretary General. A new preparatory committee was created consisting of the secretaries general of the Ministry of Education and Culture, Interior, Finance, Laboras well as the Vice Director of the BPN and the Head of the Office of Personnel Affair.[50] This committee reported to the then Minister of Education and Culture, Sarino Mangoenpranoto, and at the Ministerial Board meeting in early 1957, Minister Mangoenpranoto presented the findings. It was finally agreed that the public administration institute needed to be formed.

Minister Sarino in early February created the Committee for the Planning and Formation of the State Administration Institute[51] headed

48 Sondang Siagian, *The Development and Problems of Indigenous Bureaucratic Leadership in Indonesia,* p. 99-105.

49 Sondang Siagian, *The Development and Problems of Indigenous Bureaucratic Leadership in Indonesia,* p.106-110.

50 Kantor Urusan Pegawai

51 Panitya Perentjana Pembentukan Lembaga Administrasi Negara

by Kosim Adisaputra of the Ministry of the Interior, a specialist in public administration. In early June 1957, the committee wrapped up their work by proposing two legislative measures: a Government Regulation on the creation of the State Administration Institute and a Prime Ministerial Decision on the structure and function of the organization. The committee also recommended candidates to head the institute, conducted discussions with the Institute of Public Administration in Manila and held seminars on the subject. Based on the recommendation of the committee, a Government Regulation no. 30/1957 was issued, followed by the Prime Ministerial Decision no. 283/1957.[52]

On August 1957, Karnandi Wargasasmita, Sumarman and M. Ulfah Santoso went on a study mission to several countries, including the US. At the same time a delegation from the Institute of Public Administration in Manila headed by Carlos N. Ramos came to Indonesia. Thus, while being faithful to the idea that it was an Indonesian owned and operated program, LAN remained well connected to the wider international public administration networks. At the regional conference on public administration held in Manila in July 1958, Prajudi Atmosudirdjo and Arifin Abdulrachman, both of whom obtained top positions in the LAN, represented Indonesia, along with Marsoro and Z.A. Samil. The conference created the Eastern Regional Organization for Public Administration or Eropa, an umbrella institution that would coordinate the many national public administration institutions that were created during this period. With its headquarters in Manila, it signalled the importance of American influence in its implementation. As a follow up by the ICA to the Litchfeld and Rankin report Joseph L. Sutton, an advisor to the state administration institute in Thammasat University, Bangkok, was sent to Jakarta. The ICA focused on two things: importing literature on state administration to Indonesia and sending young Indonesian to study about the science in the United States.[53]

On 5 May 1958, Prajudi Atmosudirdjo was appointed head of the LAN. He had worked as senior officer at the Department of Industry, Ministry of

52 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 3-4.

53 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 46-54.

Economic Affairs[54] and had been a lecturer at the management faculty of Dwipajana University in Jakarta, writing a book on public management in 1956. Like the BPN, the LAN was an organization located under the office of the Prime Minister and aimed at training civil servants in the arts of modern public administration. The main goals of the institute were: to provide training and supervision of the education of civil servants and/or candidate civil servants, to conduct investigation in the field of public administration, to provide services in order to improve and perfect government administrative apparatuses and, lastly, to develop further the science of Indonesian public administration.

In 1959, LAN set up its first foreign cooperation with Indiana University within the "Indonesian Public Administration Project", a five-year program that allowed 71 Indonesian officials to train in the United States.[55] The US provided funds to the tune of $ 586,000 for the LAN-Indiana University project.[56] Aside from the US, LAN also had cooperation with the UN, West Germany, the Colombo Plan and Japan. From 1959-1962, LAN sent 89 persons to study abroad; 70 people went to the US, 14 to the Philippines, three to Japan and one each to West Germany and Australia.[57] Staffing remained a problem, experienced managers were hard to pry from their cushy jobs, and young people were reluctant to join because of the low pay.[58] The main activity of the organization was to conduct management-training courses for middle and upper managers of the state. Aside from Indiana University, there were also relations with international organizations such as the International Institute of Administrative Sciences and the Eastern Regional Organization for Public Administration.[59] There were seven management-type courses on offer: archive, transportation, personnel,

54 Sumitro Djojohadikusumo (ed.), *The Government's Program on Industries*, (Jakarta: Lembaga Penyelidikan Ekonomi dan Masyarakat, 1954), p. 1.

55 Sondang Siagian, *The Development and Problems of Indigenous Bureaucratic Leadership in Indonesia,* p. 245.

56 Usha Mahajani, *Soviet and American Aid to Indonesia*, (Athens: Ohio University Center for International Studies, 1970), p. 13

57 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara, 1958-1963*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 28.

58 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara, 1958-1963*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 12.

59 Sondang Siagian, *The development and problems of indigenous bureaucratic leadership in Indonesia*, p. 97-98.

finance, leadership, planning and public relations. In 1960, 392 civil servants took the course and 259 passed it.

The LAN-Indiana University cooperation program was the most important international relationship the organization had. Most of the institute's employees sent abroad for higher education were sent to Indiana University, although some were sent to other universities in the US. The vast majority of LAN's books and manuals on administration, audio-visual equipment, printing presses and other equipment were given by Indiana University with the financial help of the Ford Foundation or were purchased with the Indiana University courses in mind. Aside from Indiana University professors, LAN also regularly invited foreign professors to give talks. They included, in 1960, Harold Koontz, a famous management professor from the University of California and J.R. Hicks, the economist from Oxford University. Conversely, LAN also sent people to attend conferences or give talks abroad, including a visit by Arifin Abdurrachman vice head of LAN, and Prajudi Atmosudirdjo, head of LAN, to the US and to an IIAS (International Institute for Administrative Science) conference in Lisbon and an EROPA conference in Tokyo.[60]

The focus on LAN inevitably gravitated toward education under the principle 'When Indonesian leaders, political, community and civil servants, clearly understand what is meant by the subject of public administration, it will be possible to carry out successfully extensive administrative-management improvements projects.'[61] Various short courses were run in cooperation with other state institutions, such as Depernas and individual departments. It also conducted courses for lower-rung managers, including a course for the 145 *lurahs* in Jakarta in cooperation with the municipality. On average, 200-500 people attended the annual courses. The scope of education was significantly widened when on 7 November 1960; the University for State Public Administration Service (*Perguruan Tinggi Dinas Ilmu Administrasi Negara*) was founded. It had the best library on public administration in Indonesia numbering around 11,000 volumes[62] and containing the latest

60 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara, 1958-1963*, (Jakarta: Lembaga Administrasi Negara, 1963), p. 46-53.

61 Garth N. Jones, *Some critical areas concerning technical assistance*, (Jakarta: Lembaga Administrasi Negara, 1960), p. 13.

62 Sondang Siagian, *The Development and Problems of Indigenous Bureaucratic Leadership in Indonesia*, p. 97.

American books on the subject. By 1963, there were over 14,000 books and the university had produced 17 master theses. By the same year, LAN had conducted various efficiency surveys in many departments, produced manuals on management, form design, supervision and reporting, and sent out consultation teams to various institutions such as banks, the army headquarter, the department of justice, offices of prisons and the air force headquarter.

The idea of LAN as the coordinator for civil service administration was an essential component to unite the fragmented corps. Political party infiltration, which had been highly corrosive since the 1950s, was to be revamped through re-education of proper scientific management courses. Unfortunately, Prajudi Atmosudirdjo failed to provide the necessary leadership to allow for the proper educational restructuring to occur. This failure was very much the result of the lack of authority the director had amongst the ministries involved. That the executive, including Djuanda Kartawidjaja, failed to support the LAN in the issue of education did not help either. Later in 1971, when the LAN director was replaced with Awaloeddin Djamin, a more successful attempt to unite public administration education was conducted, thanks to his personal relationship with technocrat Emil Salim as State Minister for Administrative Reform.[63]

Nonetheless, the LAN failed to convince the universities to back up the program and there occurred competition between the organization and the universities in providing public administration courses. Although the LAN attempted to reorganize the curriculum and structure during the 1961 conference on the teaching of public and business administration at the universities, institutions of higher education and academies, it failed to do so. The Ministry of Higher Education and Research saw the LAN merely as an in-service training organ. Even more significant, the in-service training that was given by the various ministries continued on. "As a result, the bureaucracy, which was already fragmented because of its historical development, was further fragmented by the fact that the pre- and in-service training conducted by each department emphasized only departmental needs and departmental loyalty rather than the bureaucracy as a whole."[64]

63 Djuna Hadisumarto, *The Indonesian Civil Service and its Reform Movement*, (PhD Dissertation Indiana University, Bloomington, 1974), p. 182-183.

64 Djuna Hadisumarto, *The Indonesian Civil Service and its Reform Movement*, p. 182-183.

Both Indonesians and American experts recognized the problem of creating a formidable public administration. Joseph M. Waldman was confronted with these problems in the Indiana University project while aiding the LAN in establishing a national training centre for office administration. He quoted several Western experts on the problems concerning authority: "I'm sure we've reported to you on several occasions that Mr. Mintorogo (deputy director) and others are very reluctant to make those decisions which involve the fact that they have to face up to someone and say "no", or administer correction, or deprive them of what they want to do." Further, "on occasions, when some operational or procedural problem had come up and we've asked that he (deputy director) clear this with the LAN and provide us a pattern for action, he then pleaded that I (chief of party) or Joe should take the matter up with the officials involved, because we were foreigners and that they would listen to us but would pay no attention to him."[65] Reluctance to cooperate with foreign experts was noted from the early 1950s. "Indonesian officials display a touchiness about prerogatives, prestige, self-esteem that is a hyper-reaction against the former authority of foreigners, heightened by a frequent sense of insecurity arising from feelings of personal inadequacy for the jobs held."[66]

Many of the publications and conferences on public administration focused on the problems of leadership and decision-making of the civil service, i.e. the problem of authority. There were three general themes in the discussion of public management either in the LAN or in other places like the Academy of Interior Government[67] or FEUI management courses. One focused on the behavioural capabilities, decision-making and the devolution of authority. Sondang Siagian proposed changes in order to create a more active civil service: a better system of recruitment with entrance exams, a better valuation for classification of positions, rating of efficiency, better career planning and a greater flow of transference of civil servants from one agency/department to another, better compensation schemes and, lastly,

65 Joseph M. Waldman, *Administration Problem Encountered in the Establishment of the National Center for Office Administration in Djakarta, Indonesia*, (PhD Dissertation Indiana University, Bloomington, 1966), p. 119-120.

66 "Foreign Technical Assistance in Economic Development In a Newly Independent Country: some observations in Indonesia" in *Economic and Cultural Change*, Vol. 1, No. 1, (March, 1952), p. 78.

67 Akademi Pemerintahan Dalam Negeri

an improved retirement system.[68] None of these pragmatic solutions to the problems were ever implemented. Instead, discussion increasingly zoomed in on cultural and political behaviour and changes through indoctrination.

As in the case cited by Waldman's study, the problem of authority was seen as being much deeper than a question of inadequate remuneration, although this was to some extent blamed too. Another prominent social science that often figured in such discussions was that of psychology. Books on the psychological basis, offering quick remedies, were available as early as the 1950s. Many ideas on leadership rallied around the slogan 'the right man in the right place', which was a slightly tacit statement on the difficulty of actually drilling and coaching a 'wrong man' into a good manager, despite the advances in the field of psychology. Even so, the notion of coaching a person into excellence in administration was nursed throughout.

A second theme was related to technical matters of efficiency, especially concerning the office. Many books and articles released by the LAN or the Interior Government Academy focused on expounding technical developments concerning both work behaviour and office forms. Motion studies, for instance, developed by the American engineer Frank B. Gilberth and his wife Lillian M. Gilberth in the late nineteenth century, technically dissected the movement of a person working in the office. Seventeen movements were identified and the extent to which they spent energy was counted. This was then joined together with time studies, which created the time-motion studies.[69] This and other 'tools' like the "critical path method" which was meant to evaluate and estimate schedule, costs and resource allocation for a particular project[70] were all being taught to government officials through these managerial courses. The extent to which such studies affected true office work was probably very slight. Yet, the efforts were not just limited to studying the motion of workers, but also the forms of the office,

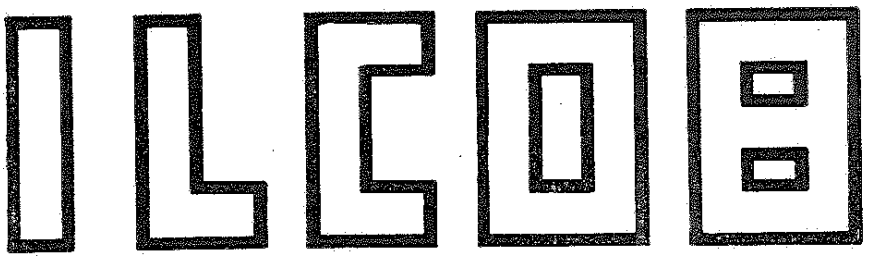
68 Sondang P. Siagian, *The Development and Problems of Indigenous Bureaucratic Leadership in Indonesia*, p. 206-234.

69 A prominent Gadjah Mada social scientists Drs. The Liang Gie, was quite adamant in promoting these studies. See his article on limiting necessary motions at the office. The Liang Gie, "Penghematan gerak dalam pekerdjaan" in *Buletin Lembaga Administrasi Negara*, No. 3, 1963, p. 23 and The Liang Gie, *Tjara Bekerdja Efisien*, (Yogyakarta: Pertjetakan Republik Indonesia, 1962).

70 Julianto Moeliodihardjo, "Perentjanaan dan pengawasan dengan "critical path method"" in *Latihan Pembangunan Ketatalaksanaan. Pemikiran Pendahuluan Mengenai Management Berdikari 1965*, (Jakarta: Fakultas Ekonomi UI, 1965).

of the table and so forth. Like time-motion studies, Americans prominently dominated these works. Tan Hwieliong, Kosim Adisapoetra and Henry C. Bush, an expert sent by the ICA, wrote one major book on the subject. This particular book was rich in pictures, provided by the Communications Media Division of the Agency of International Development, United States Operating Mission in Jakarta. While efforts were made to localize the contents, it is clear that the dominant theme of the pictures depicted an essentially American office environment, instead of an Indonesian one.

Image B

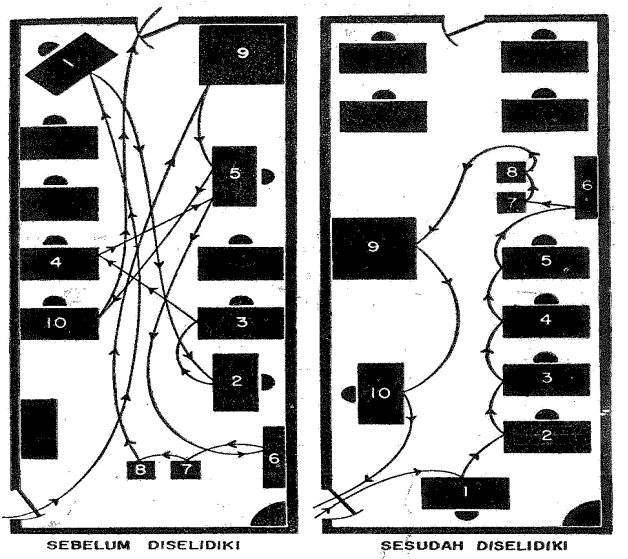


Gambar 1.

Source: Tan Hweiliong, KosimAdisapoetra, Henry C. Bush, *Organisasi dan Tata Pimpinan Kantor*, (Malang: Akademi Pemerintahan Dalam Negeri, 1962), p. 8

Both the images here represented 'scientific approaches' toward a more logical design of offices and office space. The ILCOB design above was made to allow for government offices to be expanded by requirements in what was said to be a logically consistent manner. Image C represents efforts to design more efficient and logical office movements and spaces. The caption signified the need to scientifically investigate office spaces. The last of the series of images shows a board of internship schedules of the APDN. Significantly, the image demonstrates heavy usage of English as a primary language in these exercises. Various other images showed Western looking men and women at the office, and some Indonesian-looking men and women wearing traditional Indonesian clothing or the *peci*.

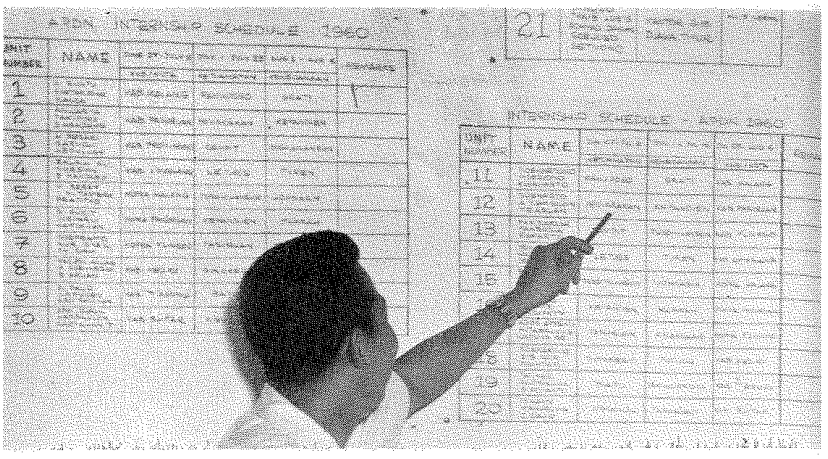
Image C



Gambar 13

Source: Tan Hweiliong, Kosim Adisapoetra, Henry C. Bush, *Organisasi dan Tata Pimpinan Kantor*, (Malang: Akademi Pemerintahan Dalam Negeri, 1962), p. 25.

Image D



Source: Tan Hweiliong, Kosim Adisapoetra, Henry C. Bush, *Organisasi dan Tata Pimpinan Kantor*, (Malang: Akademi Pemerintahan Dalam Negeri, 1962), p. 124.

Political Indoctrination

Political indoctrination, such as the various Manipol Usdek indoctrination classes provided by the LAN and many other related management courses, will be discussed in greater detail below. In all aspects of modern scientific management, political indoctrination focused on the aspect of control. How this aspect was implemented in the Guided Democracy and by which type of organization, forms the topic of our next discussion.

The effect of public and business management on Indonesia's, or even the New Order's, economic success is difficult to ascertain. Corruption and the lack of bureaucratic initiative remained a problem throughout the history of the Republic. State-owned corporations, until very recently, seemed to function as cash cows for resourceful officials. Yet this is not the most important point. As in the case of national planning, scientific management promoted state-society relations that elevated the 'experts' within society as natural leaders. These experts were to occupy positions of importance in several organizations and kept close contacts with each other and, importantly, with persons in the military. The rise of military managers or what Utrecht labelled "military entrepreneurs"[71] within the nationalized companies, resulted in a large number of army personnel as managers of relatively sophisticated companies. In the newly created structures of Bappit and the BUD, military men would come to study with university professors, while some would continue their study or conduct further active research, especially in socialist countries, in order to figure out an Indonesian version of the socialist economy. Their training in foreign management courses, much of which were provided by the United States, was another point in the exercise.

Importantly, two organizations were set up by A.H. Nasution to deal with the problems of mismanagement. These were the Bapekan and Paran organizations created during the early 1960s. He had some measure of success, but Sukarno had managed to chip it away by 1964. The relationship between the management sciences developed above and these two organizations was not clearly related, but as a prominent and celebrated member within the managerial community, Nasution must have had an important effect in promoting or realizing the ideas behind it. Let us discuss

71 Ernst Utrecht, "The Military Elite" in Malcolm Caldwell (ed.), *Ten Years Military Terror in Indonesia*, (Nottingham: Spokesman Books, 1975), p. 41-58.

now how to understand the problems related to mismanagement and the inherent problem of individual control by the state.

Managerial Problems and the Kapitalis Birokrat

The 'professional' managerial class composed of military officers, employees of state-owned enterprises and newly graduated university students in business management was significantly strengthened as a result of the expansion of available positions in the expanding state-owned sectors by the end of the 1950s. This development continued unhindered by the corporatist approach in formulating the Eight-Year National Plan. Major attacks against this class emanated from the Communist Party, although before 1960, it was in principle supportive of nationalization and a heavy industrialization approach that relied on state-owned enterprises. The PKI's stance differed to some extent with the position taken by the military and Guided Democracy policy makers. According to McVey, the party supported Chinese businesses because of the Marxist ideology of non-racism and internationalism.[72] It also supported greater decentralization of the regions, finding the continued rule of the feudal *pamongpradja* to be distasteful. Rex Mortimer has noted that Aidit has 'liberal tendencies' regarding small-scale enterprises or what he termed 'national capitalism'.[73]

The shift toward hostility happened in 1960 as a result of increasing management-worker conflicts, especially in connection with the abolition of holiday bonuses. The Communist was wary of company managers who were supporting the Labour Minister's plan to create an all-embracing labour front to rival the Communists' SOBSI union.[74] For the first time, the term Capitalist Bureaucrat was used to denigrate managers, who were increasingly seen as creating a 'new rich dynasty'. The resentment of this managerial class was exacerbated by the impressions of many observers that a growing gap between rich and poor had developed, especially in the scale of conspicuous consumption. For instance, the import of passenger cars had increased by 70% between the years 1959 and 1965, despite the decline in per capita

72 Ruth T. McVey, 'Indonesian Communism and China' in Bingdi He, Tang Tsou, Charles U. Daly (eds.), *China in Crisis*, (Chicago: the University of Chicago Press, 1968), p. 361-362.

73 Rex Mortimer, *Indonesian Communism under Sukarno. Ideology and politics, 1959-1965*, (Ithaca: Cornell University Press, 1974), p. 259.

74 Rex Mortimer, *Indonesian Communism under Sukarno,* p. 257-258.

income.[75] Mirroring the corporatist policy of the early Guided Democracy state, the Communists supported expanding participation through the application of *open management*, *social control* and the institution of the company councils (*dewan perusahaan*) inaugurated in 1960, but hardly implemented by the managements. Aidit said, "There are some people who have no faith in the people's ability to develop a national economy and place the blame for our economic failures on the fact that the people are not sufficiently educated, many are still illiterate, they do not have the managerial know-how, they work badly, they are superstitious, etc."[76]

By 1964-1965, the combined attack of the PKI and effective loss of control of the economy by the government resulted in the Communist campaign against this managerial class. "In some cases, the PKI was able to place trained economists and administrators sympathetic to it in middle-level posts in government departments and other bureaucratic positions."[77] At this late stage, there was little to be done to actually correct the problems. Aidit's economic program shifted from supporting heavy industry to light industry by 1962. In 1964, the shift was toward agriculture and the estates, mirroring the shift in policy of the Chinese Communist Party. Assured of his belief that Indonesia could not collapse because of mounting economic problems, Aidit's remedy was to 'liberate the productive forces' of the countryside through peasant and the industries through worker participation. These participatory ideas were anathema to the basic rules of scientific management, which required the expert calculation of management.

Guided Democracy Management

Both the Litchfeld and Rankin and the Caldwell and Timms reports approached the institutions of Indonesia's state and education system with an almost naïve lack of political perspective. Obviously, they only met with the most technocratic elements of the Indonesian state. Litchfeld and Rankin came under the behest of the University of Indonesia and Caldwell

75 Lance Castles, "Socialism and private business: the last phase" in the *Bulletin of Indonesian Economic Studies*, no. 1, vol. 1, p. 39-40.

76 D.N. Aidit, "Socialisme Indonesia dan sjarat-sjarat pelaksanaannja" quoted in Rex Mortimer, *Indonesian Communism under Sukarno. Ideology and Politics, 1959-1965*, (Ithaca: Cornell University Press, 1974), p. 262.

77 Rex Mortimer, *Indonesian Communism under Sukarno*, p. 268.

and Timms of the Planning Bureau. The Guided Democracy changed all that because of the political nature of much of the formerly less politicized, decision-making institution. The most significant change was the effective reorganization of the Central Bank from an independent organ into a part of the President's ministries.[78] Another difference between the periods of the 1950s and that of the 1960s within administration science was the development of a distinct type called the development administration. The reason for this development was that both public and business administration were developed for the American political economy and its application to the Third World had resulted in the contextualization of the science. Another reason was the awareness that administrators and the science it brought forth would have to work within an elite system that was different from the West and that lacked a strong state where the rule of law operated.

The roots of development administration were found in the evolution of a comparative approach during the early 1960s. Motored by a cadre of American public administration specialists within a group called the Comparative Administration Group or CAG, they were integral to the emergence of development administration altogether. In Asia, the CAG formed the Asia Committee, which allowed many of the pioneers of comparative administration science to try to apply their ideas to real world problems. Milton Esman of the University of Pittsburgh for instance worked in the Development Administration Unit of the Malaysian Prime Minister's Office. Within the EROPA, the creation of a Development Administration Group section in 1966 signalled its expansion in the relatively tight-knit community of experts, composed of seven members, including Dr.Sondang Siagian of the LAN.[79]

As part of the reorganization of the Guided Democracy in the early 1960s, which allowed for greater participation of expertise within the decision-making process, a series of congresses (*musjawarah*) were held in practically all the sciences. These meetings were meant to integrate the sciences within the development plans of the nation. On 1-2 December the Department of Higher Education and Science held a congress in cooperation

78 Radius Prawiro, *Indonesia's struggle for economic development. Pragmatism in action*, (Kuala Lumpur: Oxford University Press, 1998), p. 3.

79 Sondang Paian Siagian, *Administrasi Pembangunan dalam rangka Nation Building*, (Jakarta: Lembaga Administrasi Negara, 1968), p. 2-4.

with the Balai Pembinaan Administrasi, Gadjah Mada University[80] and the LAN, in order to discuss the influence of higher education on public administration and business management within the universities. This was the first time that the two management sciences came to generalize their respective fields. The seminar was biased toward public administration, although several business management specialists, such as Barli Halim and Soebroto from FEUI, attended.[81]

In an article on development administration written after the fall of Guided Democracy, Sondang Siagian reiterated the four elites: the power elites or political elite, the task elites or top administrators, the captains of industries and the intellectuals. Following the lines adopted by Barli Halim in his papers during the rise of the New Order, he stated that development administration should focus on pioneering changes. "It is a total development that is at the same time integrated into the political, cultural, social and economic development."[82]

The premise of Guided Democracy as a managerial revolution was voiced throughout the period. Achmad Sanusi in his book pointed to the need to couple Sukarno's Revolusi and the administrative sciences. "There should be created a group of leaders (*tokoh*) that could push members of society toward a more productive and efficient way of working and that could avoid speculation and corruption."[83] Public administration specialists needed to develop an administrative model that could be used by the Indonesian government in order to complete its administrative revolution. Sanusi

80 The Balai Pembinaan Administrasi conducted courses with over 2000 students in various topics such as general managerial knowledge, company administration and efficiency course to various government bureaucracy and companies. They also conduct consultancy service and research for various firms and government agencies in the Central Java area. *Pantja Warsa Balai Pembinaan Administrasi Universitas Gadjah Mada*, (Yogyakarta: Balai Pembinaan Administrasi-UGM, 1965), p. 31-37.

81 *Laporan Musjawarah Ilmu Administrasi Negara dan Niaga*, (Jakarta: Lembaga Administrasi Negara, 1962), p. 65 and 69.

82 Bintoro Tjokroamidjojo, *Administrasi Pembangunan dan Aspek Administrasi dalam Pelaksanaan Pembangunan*, p. 2. "Pioneering dan changes ini menjangkut djuga bidang2 politik, kulturil, sosial, ekonomidan lain2. Djadi satu pembangunan jang merupakan totalitas jang terintegrasi daripada pembangunan dibidang politik, kulturil, social dan ekonomi."

83 Achmad Sanusi, *Masalah Administrative Leadership*, (Bandung: Universitas Bandung, 1964), p. 22-23. "Hendaknja terbentuk satu barisan tokoh2 jang mendorong anggauta2 masjarakat kearah bekerdja lebih produktif dan efisien, dan menghindarkan praktek2 jang menjerupai spekulasi dan korupsi."

proposed two types of approach. First of all traditional Indonesian forms of leadership should be studied, such as the *gotong royong* element of village life and *bapakisme* culture. Improving upon them would allow the development of an effective administrative system using models that were already at hand within Indonesian society. The second approach should be a comparison of Eastern (Russian, Chinese, Yugoslavian, Polish, etc), Western (American, English, French, Norwegian, etc) and non-Bloc (Cuban, Brazilian, Indian, etc) administrative systems in order to find one that would be suitable for Indonesian use.[84]

Public and business administration specialists conducted comparative studies that were increasingly focused on Communist countries as a way to maintain a level of relevance in society. A religious background did not prevent Achmad Sanusi from exploring Communist societies, including writing articles with titles like "The administrative system of Russia: a comparison between the Tsar and the Stalin-Kruschev's period", "An analysis on the five-year development plan of Hungary", "Foreign trade between Yugoslavia and the US", "The Yugoslavian Workers Council" and so on. Comparison with the American managerial system and its focus on business management science contrasted with the Russian focus on engineers and engineering as the basis for managerial science.

Soehardiman, a military manager during the Guided Democracy period, wrote at the end of the 1960s: "From the time when the community was still in a traditional state to its development to become a modern state, the national development administration has a role as a creator of dynamism, stability, acceleration and modernity; it is even the key to change, create and move toward a modern society in accordance with the development of science and technology."[85] The American modernization ideology had come full force by the time the New Order started. Socialism and its implied participatory actions had moved far away from the remaining public discourse; instead, the idea of capable managerial leadership became the mainstay of the Indonesian

84 Achmad Sanusi, *Masalah Administrative Leadership*, p. 25-26.

85 Soehardiman, *Kupersembahkan kepada pengadilan sejarah. Otobiografi Soehardiman*, (Jakarta: Yayasan Bina Produktivitas, 1993), p. 238. "Dari semendjak keadaan masyarakat masih dalam taraf yang tradisional hingga perkembangannya pada taraf modern sekarang ini, administrasi pembangunan nasional mempunyai peranan sebagai dinamisator, stabilisator, akselerator, dan modernisator, bahkan merupakan kunci serta daya penggerak untuk merubah, membangun dan mengembangkan kearah modernisasi masyarakat sesuai dengan kemajuan ilmu pengetahuan dan teknologi."

discourse of modernity. Soehardiman along with many others, considered Suharto's success to lie in his brilliant management skills and strategic capabilities. A collection of articles from 17 Suharto ministers extolling his managerial capability was published in 1996, a year before the financial crisis brought down the Indonesian economy.[86]

Surveillance and Retooling.

The last effort to control the civil service lay in the creation of institutions enforcing surveillance, indoctrination and retooling. These efforts were a different side of the same public control measures that brought in scientific management. It entailed Sukarno's dream of creating a New Indonesian Man and in many ways, sat at the very heart of the Guided Democracy experiment, since it represented, at least in its ideal form, a massive revolutionary change in the behaviour, forms and selection of people that occupied the seats of authority. In his famous and important independence-day speech of 1959, Sukarno said that 'In order to overcome all the problems associated with our near-term and long-term goals, it is obvious that we cannot use the present systems and tools. We must rid ourself of liberalism; in exchange we must replace it with guided democracy and guided economy. The inefficient arrangement of apparatuses must be taken apart. New forms (*ordening*) and reforms (*herordening*) must be conducted, so that both guided democracy and guided economy can be achieved. This is what I meant when I said about 'retooling for the future.'[87]

Mirrored by the anti-corruption drive of the 1950s, the approach toward the eradication of corruption and bad management embraced both a 'civilian' and a 'military' effort. Initially, the organization that was to handle the problems of surveillance was contained in Bapekan. A. H. Nasution created a

86 Riant Nugroho Dwidjowijoto, *Manajemen Presiden Suharto (Penuturan 17 Menteri)*, (Jakarta: Yayasan Bina Generasi Bangsa, 1996).

87 Maka untuk menanggulangi segala mas'alah2 berhubung dengan tudjuan2 djangkapendek dan djangka pandjangt ersebut, njatalah kita ta' dapat mempergunakan sistim jang sudah2 dan alat2 (tools) jang sudah2. Sistim liberalisme harus kita buang djauh2, demokrasi terpimpin dan ekonomi terpimpin harus kita tempatkan sebagai gantinja. Susunan peralatan jang ternjata ta' effisien dulu itu, harus kita bongkar, kita ganti dengan susunan peralatan jang baru. Ordening baru dan herordening baru harus kita adakan, agar demokrasi terpimpin dan ekonomi terpimpin dapat berdjalan. Inilah arti dan isiperkataanku mengenai "retooling for the future"

retooling committee called the Paran (Committee for the Retooling of State Apparatus).[88] It points to military alacrity to participate in the process. The retooling committee would design what they considered a more thorough reform process within the civil service through moral coaching, organizational improvements and dismissing those considered not politically compatible with the regime and its revolutionary efforts.

Indoctrination

The rise of both the *Panitia Retooling Aparatur Negara* by A.H. Nasution and the *Panitia Pembina Djiwa Revolusi* by Roeslan Abdulgani signified the importance that indoctrination had on the effort to discipline the civil service. Opening the indoctrination coaching at high level government office, Djuanda proclaimed that "retooling and indoctrination will not only be held on the lower levels of government, but through all state apparatuses from the lowest to the highest, including the Ministers. Retooling and indoctrination is needed for the whole of society in order to create a just and prosperous society. Our retooling and indoctrination effort will also crack down on private and state-owned companies, which would be reorganized so as to work in a better and more perfect manner. Not all the leaders/directors of these companies can do their work perfectly. As a result there needs to be a reorganization and screening within these companies."[89] From Djuanda's statement, it is clear that retooling and indoctrination had a deeper and more invasive meaning. It imagined the disciplining of the body politic on an individual level; breaking down former societal relationships and realigning them within an individual relationship with the state. For the first time, the state apparatus could determine a person's ability and fitness for a position within the wider economy, not just the civil service. This pervasive power was a control mechanism that worked on the individual level.

At the same time, indoctrination had developed a relationship with administrative science, as the Paran courses would show. Books on military administration, for instance, were derivatives of general scientific administration, discussing the theories of Henry Fayol, James Burnham,

88 Panitya Retooling Aparatur Negara

89 I.O. Nanulaita, "Ir. H. Djuanda Kartawidjaja" in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, Administrator dan Teknokrat Utama*, (Jakarta: Kompas, 2001), p. 148-149.

the PODSCORB approach and many of the latest ideas that had emanated from America. "Those (administrative) regulations and procedures above, after been practiced and perfected through the development of the army's organization and procedures, were then published in book form by the DITADJ in the form of a general-administration guide book (first published in 1961). The content of the book will be discussed fully in the next classes. By 'indoctrinating' the officers, the army's new-style administration can be implemented correctly."[90]

The role of the military in this reorganization stemmed from Nasution's anti-corruption effort that had allowed greater military participation into the political power of society during the second half of the 1950s. It was thus also related to the question of efficiency and how the state had taken on the responsibility to re-manage the productive members of society, especially those within the administration and the business world. This projected expansion of the state's managerial power at the grass-root level determined a more pervasive state-society relation, at least in its ideal incarnation. This did not stop at the public and business administration, but spread throughout other professional parts of society. Thus, by the end of Guided Democracy, journalists were busy signing themselves up for these indoctrination classes because to not have a certificate in them would jeopardize one's journalist license.[91]

The role of the universities and other government institutions were also significant.[92] The LAN provided a platform for people to write about the problems of indoctrination, including a piece written in its journal in 1961: "Indoctrination is a part of the pattern of civilization of large countries like the United States and the Soviet Union; it is only proper and required if in

90 Herlan, *Administrasi Umum dalam Angkatan Darat kita; Indoktrinasi Administrasi pada tg. 1 April 1963*, (Jakarta: Departemen Angkatan Darat, 1963), p. 8. "Ketentuan2 dan prosedur2 diatas, setelah mengalami 'praktek' beberapa tahun dan disesuaikan dengan perkembangan2 dalam organisasi dan tata-tjara dalam staf AD kita, kemudian dibukukan dan dikeluarkan oleh DITADJ dalam bentuk Buku Petundjuk dalam Administrasi Umum (tjetakan pertama dalam tahun 1961). Isi dari buku tersebut akan diuraikan lebih mendalam dalam kuliah2 berikutnja. Maka melalui para pedjabat2 jang telah "ge-indoctrineerd" nanti diharapkan administrasi AD dengan 'gajabaru' itu dapat dilaksanakan dengan sebaik-baiknja."

91 Rosihan Anwar, *Sukarno-Tentara-PKI,* p. 102.

92 University lecturers were required to go through indoctrination coaching and between 500 lecturers had undergone such coaching between 1962-1965. Bachtiar Rifai, *Perkembangan Perguruan Tinggi di Indonesia*, p 43.

Indonesia indoctrination is run on the basis of the social philosophy of the Pancasila. The problem now lay in its implementation in which most of the indoctrinators themselves have unwittingly become unpaid propagandists for the philosophy of social liberalism as a result of their long exposure to the education based on this philosophy. It is fortunate that the basic civilizational pattern of Indonesia is being pioneered by the Universitas Gadjah Mada through their Studium Generale, while the Akademi Pemerintahan Dalam Negeri in Malang has already put the course on Pancasila within the 1959/1960 study year with satisfying results."[93] For the first time, the state ideology became an important component of university curriculums.

Retooling also facilitated the spread of the military into various nooks and crannies of society. "There is no field where the *karya* military force isn't participating. All this shows that the APRI has succeeded in conducting retooling."[94] A series of professional oaths were created: *Panca Setia* for the civil service, *Sapta Marga* for the military, *Tri Brata* for the police, *Panca Wardana* for the youths and so forth, signalling a loss of individual responsibility and its replacement by responsibility to the state.

Let us now discuss the series of institutions that was created by A. H. Nasution in his quest to bring some semblance of order and reduce the problems of corruption, an issue that had been central for institutional change since the mid-fifties. The first organization was the Bapekan, which functioned as an ad-hoc police unit with investigative capabilities but no rights to incarcerate or bring to justice. The second was the Paran, which focused indoctrination but also on managerial improvement. While the capability to conduct managerial improvement vanished, its indoctrinative

93 Ruspana, "Quo Vadis Peradaban Indonesia" in *Lembaga Administrasi Negara*, 1961, p. 42, "Dengan penelitain adanja indoktrinasi sebagai realisasi dasar pola peradaban di negeri2 besar Amerika Serikat dan SovietUni, wadjar dan keharusan serta wadjibllah kalau di Indonesia didjalankan indoktrinasi sebagai realisasi dasar pola peradaban filsafat social Pantja Sila. Akan tetapi sekarang kesulitannja jaitu dalam bidang pelaksanaan dimana sebagian besar pelaksana2 sendiri dengan setjara tidak disasari mereka mendjadi propagandis tanpa bajaran dari filsafat social liberalisme, karena memang sudah sekian tahun mendapat pendidikan berdasarkan bersumberkan filsafat tersebut diatas. Sjukurlah dasar2 pola peradaban Indonesia ini sudah dirintis oleh Universitas Gadjah Mada dengan diadakannja Studium Generale, sedang di Akademi Pemerintahan Dalam Negeri di Malang filsafat Pantja Sila telah dimasukkan didalam Curriculum tahun pengadjaran 1959/60 dan ternjata hasilnja memuaskan."

94 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 208.

function became a principal basis of civil service relations within the state. Its New Order variant, the P4, had strong resemblance to the Paran.

Bapekan

Bapekan, the brainchild of General Nasution,[95] was created along with the Depernas on 17 August 1959, based on the Presidential Regulation no. 1/1959. It was a small and centralized organization, consisting of only a limited number of individuals, without regional officers or representations. Yet it had large, ambitious goals. Its duty was to conduct surveillance and research into the working of state apparatuses.[96] There were basically two forms of work: the passive/routine type and active work. The active work consisted of investigations carried out upon the initiative of Presidential order or Bapekan itself. It also worked through complaints sent from the regions.[97]

The head of the Bapekan was the Sultan Hamengkubuwono IX, former Minister of Defence. Widely regarded as an outstanding figure, the Sultan was an important symbol of idealism, which the body wanted to present to an already sceptical Indonesian public. His secretary, sociologist Selo Soemardjan, joined him.[98] He was interested in administrative change and function in revolutionary societies. Other members included Semaun,[99] a

95 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 256.

96 Nasution claimed that initially Sukarno wanted to give the Bapekan to politicians, but he relented so as to maintain the technical nature of the organization, instead of becoming highly politicized. A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 256.

97 ANRI, Jakarta, Bapekan, inv. nr. 6.

98 Selo Soemardjan, *Social Changes in Jogjakarta*.

99 Semaun was an old Communist who was banished by the Netherlands Indies government in 1923 for his role in the Union of Railway and Tramway Personnel (VSTP) strikes. Initially, he lived in the Netherlands and was active in the Anti-Imperialist League and the Perhimpunan Indonesia, rubbing shoulders with Mohammad Hatta and many other Indonesian nationalists before leaving for the Soviet Union in the 1930s. He reputedly studied at Tashkent University, Uzbekistan, before moving to the Institute of Far East Studies in Moscow in 1931, where he studied Soviet rationalization in action at the Train Office of Baku in the Caucasus, today's Azerbaijan. He was also reputed to have worked for the planning board of the Soviet Republic of Tajikistan. It was partially based on this experience that he was given a Doctor Honoris Causa by Prof. Dr. Prajudi Atmosudirdjo, aside from being the head of the LAN, was also Dean of Padjadjaran University. He arrived back in Indonesia in December 1956 with much fanfare and open arms from the nationalist and communist elites of the country, including President Sukarno himself. He himself meanwhile

Communist of anti-colonial fame, Samadikoen, a former Governor of East Java (1949-1958) and Colonel Soedirgo, a military man. Sukarno pushed for the inclusion of Semaun in order to realize his Nasakom ideals.[100] Nasution thought that while the composition of Bapekan was politically strong, it was technically weak.[101] The selection of its members was certainly not based solely on political considerations. Each of them had experiences with the administration, although none was trained specifically in the American science of public administration. Between January 1959 and July 1959, Bapekan received 902 cases, of which 402 were reportedly 'solved', while the rest remained in process. The President ordered the investigation of the problems of Tanjung Priok Port in Jakarta, the workshops of the Train Office (DKA) and the national shipping company PELNI and Djakarta Lloyd.

To get a better sense of what the organization actually did, let us briefly focus on its problem-solving work. One of the first presidential orders for the body was to solve the difficulties surrounding the important port of Tanjung Priok. The issue was a classic one of Indonesia's dysfunctional and fragmented administration system. There were two main problems with the port: congestion that slowed down operations and criminality involving smuggling. It became a national scandal in 1959 and several big names in the army were implicated. At issue was a conflict of authority, between civilian officers such as: the harbour master, the director of the port and the head of the customs office, between the army and navy officers with some authority over the region and, lastly, with the unions. Here was a microcosm of the political trouble of the post-independence Indonesian bureaucracy: a turf war between the civilian apparatus with the military and the leftist unions.[102]

An incident occurred when one importer complained to the head of the customs office about a customs officer who had been stealing parts from the

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had by his return to Indonesia effectively renounced Communism, whose Stalinist excesses he witnessed personally during his stay in the Soviet Union. Upatjara pemberian gelar Doctor Honoris Causa dalam Ilmu Ekonomi kepada Sdr. Semaun pada hari senin tanggal 31 Djuli tahun 1961, djam 20.00 bertempat di Aula Universitas Padjadjaran djalan Dipati Ukur no. 37, Bandung in ANRI in Jakarta, BAPEKAN, no.5.

100 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 257 and *Harian Rakjat*, 16 August 1959.

101 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 257.

102 ANRI, Jakarta, Bapekan, inv. nr. 81.

cargoes.[103] The head of the customs conducted secret surveillance after which he apprehended the officer for illegal pilfering. The affair was reported to the police and the courts. The officer in question appealed but was given a tougher sentence in the High Court. In anger, the indicted officer gathered several supporters and harassed the head of the custom office. This was also reported to the courts. The officer and others accused sent a letter of apology to the President and asked to be allowed to retain their old positions in the office. According to the report, informal sources reported that the President accepted their apology and this resulted in unease amongst the custom officers. Complicating the matter was the fact that the officer accused was a former revolutionary fighter and the head of the customs was a 'Dutch collaborator.' Guided Democracy and its insistence on revolutionary credentials made it even less certain that professionals would have the law on their side. Government intervention often resulted in greater uncertainty. The merit of professionalism, which should have been the backbone of managerial thrust of the state, was highly deficient on the ground.

The Bapekan report issued several recommendations. The authority of the port should be an exclusively civilian affair. The Naval Command[104] of the Tanjong Priok territory should be given the task of surveillance and investigation of the civil agency and also the right to provide help and protection to these agencies whenever required, the civilian and military officers should be given extra allowance, the number of storage companies (*veem*) should be reduced, there should be extra precautions against smuggling, there should be a specific and clear delineation of jurisdictional authority between the army and the navy and, on a long-term basis, all the offices, houses and military facilities within the port area should be moved outside. A series of Presidential regulations was drafted by Bapekan in response to its investigation of the port, which would have made it illegal for both military and civil servants of the D to F ranks (higher echelon) to work at the port for more than 12 months at a time and for those working in the port to receive an additional 500 rupiah allowance.[105] Whether these recommendations were carried out is highly doubtful. As we have seen, the period was coloured by an increasing hue of army involvement in

103 Notulen rapat Bapekan pada hari Senen tanggal 2 November 1959 bertempat di Gedung Bapekan, ANRI, Jakarta, Bapekan, inv. nr. 143 and 81.

104 Penguasa Laut

105 Bahan Rapat Bapekan tgl. 2 Nov. 1959. ANRI, Jakarta, Bapekan, inv. Nr. 81.

civilian affairs. Such recommendations that would have clearly delineated the jurisdictional authorities between civilian and military state agencies would have been against the spirit of the period. In any case, Bapekan recommendations were non-binding.

Bapekan was a rather odd organization. It had a total of around only 40 staff members yet was constantly receiving wide-ranging cases to investigate and make problem-solving recommendations. It would participate in studying the problems surrounding decentralization and even bigger problems surrounding the judiciary. It sent its core members Semaun or Samadikoen to review the arrangements of the Asian Games in 1962, the petroleum industry in Sumatra and the Rice Centre in Java.[106] No doubt, many recommendations were based on a rather superficial analysis. For instance, the recommendation for Tanjung Priok failed to address the core issue in any meaningful way. One of the weaknesses of Bapekan was that it functioned merely as an investigating and recommending organ without power to enforce any of its findings. The non-binding recommendations would then be sent to the Presidential office or other departments, but there was no way to ensure that it would be made to stick.[107] Later on, Paran would suggest that Bapekan be made into a high government organ on the same level as Depernas, the courts or Parliament.

Paran

The National State Apparatus Retooling Committee (*Panitia Retooling Aparatur Nasional*) became the other side of the control mechanism of the civil service. If the Bapekan functioned as a research and surveillance body to understand problems related to mismanagement, Paran had the active duty to fix those problems through the authority of retooling.[108] Nasution was named the head of Paran and Roeslan Abdulgani as Vice Head. The Paran

106 Notulen Rapat Bapekan. ANRI in Jakarta, Menteri Negara Ekonomi, Keuangan dan Industri (Menneg Ekuin), inv. Nr. 390.

107 *Peraturan-peraturan Presiden Republik Indonesia no. 1 tahun 1959 tentang pembentukan Badan Pengawas Kegiatan Aparatur Negara*, (Jakarta: Pertjetakan Negara, 1959), p. 1-10.

108 Retooling was supported by management specialist when it conformed to the dictates of scientific management. Public officials were especially needed because of their function as corporate managers. Leon Mears, "Some Management Problems in Indonesia" in Rossal J. Johnson, Mohammad Sadli and Subroto (eds), *Teachings in Business Administration and Economics*, (Jakarta: Lembaga Penyelidikan Ekonomi dan Masyarakat, 1961), p. 28-30.

was the brainchild of Nasution, Mohammad Yamin and Roeslan Abdulgani. As a result, it incorporated the diverse ideas that the three men had about retooling. The presence of Roeslan Abdulgani as Sukarno's ideological right-hand man strengthened the President's ideas about Paran as an indoctrination organ for the wider civil service. As Nasution said; "the President will deal with the mental-ideological retooling, but what I am dealing with is related to organizational order, work order and personnel problems."[109] Nasution thus dealt with the more mundane and important problems surrounding mismanagement.

The first act of Paran was a continuation of the military anti-corruption policy when in December 1960, all ministers of the government had to hand over information about their wealth. Forms were sent to people in key positions of the civil service in order to determine their loyalty to the state, especially whether they had sympathies with the various rebellions[110] or had been loyal to the Dutch. This was extended to all civil servants at the F/IV echelon or above by March 1961. Nasution was concurrently the Minister of National Security. Meetings were held at army headquarters. The Paran created the new Pantja Satia oath of civil service loyalty, legalized through Presidential regulation no. 3/1961 and which provided guidelines for retooling. A law was then proposed following the basic principles of government employment (*pokok kepegawaian*).

Initially, Bapekan saw the rise of Paran in a negative light. It sent a protest note when the plans of Paran to indoctrinate Bapekan members came to light.[111] There was no doubt that Paran saw Bapekan as an important component in general retooling. Nasution reiterated the temporal and ad hoc nature of the Paran, saying that it was part of the government's short-term program in line with the other Tri-Program[112] of the cabinet. He envisaged

109 A.H. Nasution, *Memenuhi Panggilan Tugas, Jilid 5: Kenangan Masa Orde Lama*, p. 256. "Presiden menggarap retuling mental-ideologis, tapi yang saya garap ialah terutama ketertiban organisasi, tatakerja dan personal."

110 DI/TII, PRRI, Permesta, Madiun Affair, etc, comprising representatives of various ideological positions in Indonesia, including Islamist, social democrats, Communists and so forth.

111 Rapat Bapekan ke XIV, 19 September 1960. ANRI in Jakarta, Menteri Negara Ekonomi, Keuangan dan Industri (Menneg Ekuin), inv. Nr. 390.

112 The Tri-Programs were: provision of foodstuff, support a secure environment and continue on the fight against imperialism and colonialism.

the Paran's transformation into a more permanent body called the Body to Manage the Efficiency of State Apparatus.[113]

Compared to Bapekan, which had merely a surveillance and advisory nature, Paran had a greater power to oversee and change what it saw fit for the creation of what it considered to be a good government apparatus. The idea of retooling was obviously central to Paran, but it was also highly central to the ideology of Guided Democracy itself. 'Retooling meant the dismantling of inefficient arrangement of the apparatus and its replacement with a new arrangement. This is a planning and rearranging with the long-term goal of achieving our revolution.'[114] Etymologically, the term was used in scientific management as a reorganization of the factory floor, i.e. industrial reorganization. Within society: the mobilization of material and spiritual forces and its recreation into a '*strijdvaardig*' and '*strijdwaardig*' force. Within the government: reordering in both the legislative, executive and other fields of government. An official definition had it as "the effort to renovate in the soul, arrangement, work procedures, and personnel of all State organization in the legislative, executive and other fields at the Centre and the Regions so as to conform to the Political Manifesto and USDEK[115]and to efficiently reach the goals of the State in the short and long term."[116]

Following the 'revolutionary' principle of Guided Democracy, there was a spirit of reinvention and experimentation. Retooling was political in nature. It was to root out part of the apparatus that was anti-revolutionary and correct those whose ideas did not conform the guidelines and values of Guided Democracy. This was because many of the elite, including Sukarno, saw no clear dividing-line between political and administrative issues. The civil service was to be shaped into an efficient bureaucracy by the application of modern management, political education and purges. A civil servant had

113 Badan Pembina effisiensi apparatur Negara

114 "Retooling adalah pembongkaran susunan peralatan jang tidak efisien dengan penggantian susunan peralatan jang baru. Ini adalah "ordening" baru dan herordening baru, dengan maksud agar tudjuan djangka pandjang dari revolusi kita dapat tertjapai." Laporan Panitia Retooling Aparatur Negara, S.1396/9/60, A.H. Nasution, in ANRI, BAPEKAN, no. 5.

115 The main guide posts of the Indonesian revolution, USDEK (Undang-UndangDasar 1945, Sosialisme Indonesia, Demokrasi Terpimpin, Ekonomi Terpimipin and Karakter Indonesia) is an acronym of the following: The Constitution of 1945, Indonesian Socialism, Guided Democracy, Guided Economy, Indonesian Character.

116 Laporan Panitia Retooling Aparatur Negara. ANRI, Jakarta, Bapekan, inv. nr. 345.

to be pro-Manipol and USDEK, pro-revolution and should have the capacity to use the spirit of *gotong royong*.

Understood within this logic, retooling seems to have been a natural extension of the managerial reforms discussed above. While management science provided both tools and coaching for the creation of better administrators, retooling was to actively pursue the effort to put the right man in the right place. In a major way, the cultural impediments toward both authority and initiative were to be circumvented through the active selection and deletion of those already within the service. Although the logic of the recreation of a 'perfect' civil service through political indoctrination and the weeding out of suspected 'anti-revolutionaries' seemed sound within its own logical reasoning, it required capabilities that were just beyond that of the state.

Instead of professionalizing, the politicization of the civil service damaged it even further. The screening of potentially non-loyal civil servants became a major drive to oust people without the backing of political groups. Instead of looking at people based on their inherent merits, their political stance and personal history became a terrifying prospect for some. For instance, the loyalty question was highly damaging for those people who had historically sided or worked with the Dutch during the revolutionary period. As was the case with the head of customs in the port of Tanjung Priok, his professionalism and capability came second to his past political loyalty. Because Indonesia still had a large number of 'collaborators', i.e. former officials of the colonial regime, working for the government at that time, such a policy had disastrous consequences for the efficacy of the civil service.[117]

There were three sub-committees under Paran: the 'mental', personnel and organizational sub-committees. The 'mental' sub-committee designed a uniform and intensified an indoctrination campaign at a central and regional level, working under the supervision of the Committee of the Management of the Revolutionary Soul[118], headed by Ruslan Abdulgani. The Committee published the *Seven Major Indoctrination Doctrines* in 1961 to standardize the process, as Sukarno had instructed earlier, on February 27 1960 in

117 ANRI, Jakarta, Bapekan, inv. nr. 81

118 Panitya pembinaan djiwa revolusi

order to intensify indoctrination and quicken the retooling efforts.[119] This included documents on the birth of the national ideology, Pancasila, the Constitution of 1945, the Political Manifesto (Manipol) which embodied the principles of Guided Democracy, Sukarno's main speeches: the Road to Our Revolution (*Djalannja Revolusi Kita* or Djarek) and Creating the World Anew (*Membangun Dunia Kembali*), the President's article on the explanation to both Manipol and USDEK, and lastly the President's address on the Overall Development Plan.[120] Contained within these documents is a dizzying array of ideas representing Guided Democracy. The committee conducted its first coaching session on May 1961 for a period of 5-7 days. There were general coaching sessions for both first (provincial) and second (regency) level regional governments.

The organizational sub-committee collected ideas from departments and sent queries to each department, conducted on-the-spot surveys, sought expert advice on designing blueprints for organizational/procedural work and, lastly, technical retooling advice for the departments in question. This sub-committee was under the leadership of Nasution.[121] The sub-committee members classified positions as political, top level (*teras*), vital, technical and so forth. They cooperated with the personnel sub-committee in order to root out unnecessary individuals. The sub-committee also worked with the Ministry of Internal Affairs and Special Autonomy to design a vertical organization of government. On an ideal level, this sub-committee had a daunting task of fulfilling Sukarno's commitment to leave behind the Western separation of power of *triaspolitica* (executive, legislative and judiciary) in favour of his brand of corporatist unity under the united *karya* groups.

Several changes at various levels within the government were proposed. For the central government, arrangements of departments should be based on their tasks, function, authority and responsibility, streamlining, simplifying and regulating the arrangements so as to eliminate double functions, bureaucratic maze and uneconomic and inefficient work and so on. For the regional government, the sub-committee proposed to review the allocation of authority between the central and regional governments, so that the sub-

119 Seno Soesanto, *Manipol Usdek. Bahan Batjaan bagi para Peserta Latihan-latihan Djabatan/ Kursus-kursus pada Lembaga Administrasi Negara*, (Jakarta: Lembaga Administrasi Negara, 1962), p. 2.

120 *Tudjuh Bahan Pokok Indoktrinasi*, (Jakarta: Pertjetakan Negara, 1961).

121 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan masa Orde Lama*, p. 259.

district head[122] should be the lowest representative of the government. Vertical services should stop at the second level of regional governments.

The personnel sub-committee studied materials sent by the departments, asked for the Office of Personnel Affairs (KUP) about the formation and total number of civil servants, and inquired into the property of civil servants below that of the F/IV rank. Each minister was also asked to state his involvement in the revolution after 1945. The committee should also survey the personnel regulations. The sub-committee should create a list of provision and experience in the regions with regard to retooling. It was in this sub-committee that the *Pantja Satia* code of conduct was created, aside from designing a new Basic Personnel Law (*UU Pokok Kepegawaian*) on 14 April 1961. Lastly, the sub-committee designed remuneration and severance packages for those that were 'retooled' out of their position in government service.[123]

There were two general criteria for determining the acceptability of civil servants: positive and negative norms. The positive norms looked at universal criteria, such as technical capabilities, general capabilities, morality, character and loyalty. The negative norms looked at the political acceptability of the civil servant within the revolutionary period. This necessitated an inquiry into the personal history of civil servants. It was important that people were not tainted with a historical involvement that could question their loyalty to the Republican government, including supporting the various post-independence rebellions against the central government or having worked as a Dutch collaborator during the revolutionary war. Three absolute characteristics had to be presented: pro-Manipol and USDEK, revolutionary rather than counter-revolutionary, by criteria based on Sukarno's 1960 independence day speech; and lastly, to be able to combine all revolutionary forces within the spirit of mutual cooperation (*gotong royong*). Civil servants were to be weeded out and put into four possible negative categories: anti-Manipol USDEK who silently opposed Indonesian socialism, anti-Manipol USDEK who openly opposed Indonesian socialism, as a person who, because of lack of knowledge, opposed Indonesian socialism, and lastly, as a person who lacked knowledge of Manipol but did not oppose it.

122 Camat

123 ANRI, Jakarta, Bapekan, inv. nr. 345.

This political labelling and classification of people was, to say the least, damaging for the formation of an *esprit de corps* within the bureaucracy. This, and the fact that continued deficit spending through printing more money destroyed the purchasing power of stable incomes, led to a massive loss of efficiency and clogging of the bureaucratic machinery as Guided Democracy entered the second half of its existence. Instead of promoting the right man in the right place, it placed a premium on political connections in a way that toppled the kinds of nepotism that was prevalent in the 1950s. The arbitrariness of the process decreased the assurance of the authority of the civil servants.

This political pebble in the Guided Democracy shoe was a practice that was not promoted under the developmentalist aid of the United States. It required no aid structure, university locus or visiting professors and those engaged in these machinations did not offer studies of comparison to other countries with their own forms of retooling strategies. The indigenousness of the Guided Democracy was an important component of the indoctrination campaign. Instead of announcing it as some sort of international social science experiment, the Indonesian government stressed the ancient and traditional nature of the values behind the teachings that Sukarno bestowed upon the nation. Thus, the concept of *Sosialisme à la Indonesia* was not to be found in capitalist and liberal Europe, but was "in fact…very old in Indonesia. Besides the picture conveying this concept in the Wayang Master's description of the past – for instance, the Javanese concept of "Ratu Adil", the Goddess of Justice, for again it is social justice which is meant here, not merely the implementation of laws, regulations and other social codes."[124] Guided Democracy was in fact "only a new statement of something very old in Indonesia. Since ancient times, democracy in Indonesia has been what we now call Guided Democracy. Since ancient times, Indonesian society has been averse both to dictatorship and to the individualism of liberalism. The old system of government was based upon *musjawarah* and *mufakat* with the leadership of a single central authority in the hands of a "sesepuh" or elder, who did not dictate, but led and protected."[125] The theme of centralization

124 *Manipol-Usdek in Questions and Answers*, (Jakarta: Department of Information, 1961), p. 36.

125 *Manipol-Usdek in Questions and Answers*, p. 40.

within the command of the Presidential office was thus paramount within the Guided Democracy thought and iconography.

Although the regime claimed indigenous roots for its ideology, one could without much hesitation, support the idea that retooling, indoctrination and the elimination of counter-revolutionaries within the government was in line with the demands of management science. Sukarno's promotion of the re-creation of a new Indonesian man was merely a contextualized implementation of the effort to forge better bureaucrats. The structural and 'mental' sub-committee basically rehashed the rhetoric of the more 'scientific' managerial and economic experts, focusing on 'work procedures' and 'organizational efficiency'. The important exception to this was the political nature of the whole exercise. It came initially to function as a purging mechanism to embed loyalty, but if we go back to the Bapekan case concerning Tanjung Priok, loyalty to the state and civil service capabilities was sometimes directly in conflict with one another.

Nasution's ambitious goals for Paran fell flat. Only Roeslan Abdulgani's sub-committee on the development of the revolutionary soul had some success. "Even the effort to regulate the structure of departments was unsuccessful. The Ministers maintained their own personal power and obtained their authority directly from the President. I also tried to introduce regional Paran. Governors close to me immediately formed them, but governors close to other people in the centre hesitated to do so."[126]

The result of these exercises was the decidedly military garb that the civil service took on, complete with military-style ceremonies, trainings and indoctrination campaigns. That it ended in acomplete failure is beside the point. In all one can argue that the implementation of managerial science amounted to a failure. Practically no Indonesian state-owned companies ever rose to become an important regional or multinational corporation, with perhaps the exception of the state oil company, the highly corrupt Pertamina, which would end up on the verge of bankruptcy in 1975 due to massive mismanagement. Corruption was prevalent throughout the century,

126 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 259. "Untuk penyamaan struktur departemen-departemen saja pun kami tak berhasil. Para menteri telah berkuasa sendiri-sendiri dan langsung meminta pengesahan dari Presiden. Saya usahakan pula adanya Paran di propinsi-propinsi. Gubernur-gubernur yang dekat kepada saya segera membentuknya, tapi gubernur-gubernur yang agak berkiblat kepada tokoh-tokoh lain di pusat, enggan melaksanakannya."

although the New Order government was initially able to subdue the civil service owing to its absolute rule over a meek bureaucracy and a civil society frightened by the evaporated legitimacy of the left and the killings and incarcerations of its members.

Budhi Operation

The Budhi Operation was one of the last anti-corruption drives held during the Guided Democracy. It was to investigate massive mismanagement and corruption within state-owned companies. It was also one of Nasution's last attempts to rein in control. Businessman A.M Dasaad said at least 14 billion rupiah were swindled during the 1960s.[127] The attack which the PKI launched in 1963 against what it called bureaucratic capitalists and corruptors within the management of state-owned enterprises was an attack against military managers. According to Soehardiman, the head director of PN Djaja Bhakti (formerly USINDO) and creator of the SOKSI labour union (a military-controlled labour union meant to compete with the Communist SOBSI) the operation were under the control of two assistants of General Sutoyo, who according to him were communist sympathizers.[128]

Nasution claimed that within three months, the operation saved the state Rp. 11 billion of state funds despite the fact that only one-seventh of the total investigation had been carried out.[129] A work committee composed of the police, prosecutors, judges, and experts in agriculture, banking, trade, taxation, customs and treasury, created a 100-point questionnaire that would determine the degree of corruption or mismanagement. These questions included company policies, products, money, foreign exchange, purchasing and sale transactions and production services. Another questionnaire was made about wealth: houses, transport, personal foreign exchange, jewelleries and other luxuries and so forth. Nasution employed 200 students and trainees to conduct the investigation.[130] The expert committee then determined whether there had been criminal or administrative fault. Criminal offence was handed over to the courts and the respective ministries

127 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 284-287.

128 Soehardiman, *Kupersembahkan kepada Pengadilan Sejarah. Otobiografi Soehardiman*, p. 142-151.

129 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 262.

130 A.H. Nasution, *Memenuhi Panggilan Tugas. Jilid 5: Kenangan Masa Orde Lama*, p. 262.

dealt with administrative offence. These questionnaires concerning policies and ownership of state-owned company directors represented a further development of the anti-corruption effort conducted by Nasution and the CPM in the late 1950s.[131] What was interesting was the use of experts and students. It wasn't the only time Nasution tried to form concrete institutional relationship with students.

The Minister of Production, General Suprajogi, who had run the Nationalization Body (*Badan Nasionalisasi*) and thus had engineered the integration of military officers in the state-owned companies, together with First Minister Djuanda, invited managers from state-owned companies to take the oath of *Ikrar Panca Setia*. Nasution's attempt to control the military managers heightened the tension between the group surrounding general Ahmad Yani, which included people like Soehardiman, and those of Nasution. His effort to control mismanagement within state-owned companies and discipline the military managers was probably related to the President's effort to reduce Nasution's capacity to meddle with the internal situation of the state. Sukarno's successful attempt to wrest control of Paran from Nasution's hands through the guise of the Kotrar was part of that.

Inherent Tension of Guided Democracy Control

For most observers, the indoctrination effort of the Guided Democracy was a big farce. Retooling meant purging the civil service of unwanted persons. People queued to go on indoctrination courses because they feared trouble if they had not taken the courses. Most teaching materials in the courses were dreary and uninteresting, a laundry list of readings on the state ideology. This in turn became standard fare for the New Order state to impose on to rest of society. In 1966, a series of indoctrination classes to purge out Communism began to be held. Again, the materials presented were less important than the reinforcement the idea of state control over one's body and behaviour. The centrality of the state as the enforcer of correct behaviour was a powerful force for conformity.

By early 1964, Sukarno had successfully wrested control of the Paran by recreating another body to replace it, the *Komando Tertinggi Retooling Alat Revolusi* or the Highest Command for the Retooling of Revolutionary

131 ANRI, Perdana Menteri Republik Indonesia, Inv. Nr. 518.

Tools (Kotrar).[132] He viewed Paran as a threat to his capability to bestow lucrative sinecures as a means to support his authority.[133] Many military officers also saw it as a threat to their position in the economy.[134] The Kotrar was headed by Subandrio, with General Ahmad Yani as Chief of Staff and Air Commodore Wiriadinata as Vice Chief of Staff. This represented the end of Nasution's effort to implement managerial sciences within the state structure. As was the case in national planning, Sukarno's politics obstructed the effort to try and implement the honest application of some sort of rational approach toward disciplining state apparatuses. Although Nasution's effort in Bapekan, Paran and the Budhi Operation was not institutionally related to the development of managerial science outlined above, the usage of experts in many of these institutions signified at least some personal connection to the effort. It is unclear who the agricultural, banking, trade and taxation experts working under him during the Budhi Operation, but it is clear that his relations with those in the universities had, by 1964, developed as a result of the various changes throughout the period. The idea of social control, social support and social participation was a central concept in Sukarno's idea of incorporation. It was apparent within the national planning of the Depernas, as it was also apparent in the Muppenas structure that accompanied the rise of Bappenas. Social control was meant to "democratize the political and economic centres of society." Within government-owned companies, the rise of the Company Board (Dewan Perusahaan), for instance, was an expression of the intention to create an economy based on an open management system, one in which the managerial policies of the company would be in the hands of the management in tandem with the workers. There was thus a strong focus on participation within the idea of Guided Democracy. Social control would lead to a successful state exactly because of the support of people within society. In connection to the problems of corruption and what Benedict Anderson has termed the movement of "society into the state,"[135] the answer was participation as a

132 Within Kotrar, the Communists were represented much to the dismay of the military. David Mozinga, *Chinese Policy toward Indonesia, 1949-1967*, (Singapore: Equinox, 2007), p. 222.

133 CLM Penders and Ulf Sundhaussen, *Abdul Haris Nasution,* p. 170.

134 Harold Crouch, *The Army and Politics in Indonesia*, p. 40.

135 As was understood in Benedict Anderson, "Old state, new society: Indonesia's New Order in comparative historical perspectives" in *The Journal of Asian Studies*, Vol. 42, No. 3 (May, 1983), p. 477-496.

mechanism to strengthen the legitimacy of the revolutionary leadership. The similarity of social ideals and social goals between the managers and the workers, between the experts and the people, would allow for a total support by the people. This was the ideal of the Guided Democracy state.

From the beginning there was considerable tension between the ideals promoted by modernization theory based on a top-down, managerial approach, and that of Indonesian socialism, where the control and support of the state apparatus and companies by the people was achieved through corporatist forms. This represented a deep inherent division within what was considered to be a unified ideology. It was one in which the managers and the experts ultimately won the day because of their relationship with the military.

Conclusion

Social science analysis has pointed to a dichotomy in understanding problematized Indonesian Man and the "gotong rojong" culture. In the first place, there were inherent problems concerning decision-making and leadership capabilities. The traditional cultural values of Indonesia were considered to be the foundation for the modern Indonesian people, leader, bureaucrats and managers. These cultural values were strongest among the traditional-thinking people. The New Indonesian Man had to be both traditional and modern at the same time. He had to have values that transcended the traditional value system, but rooted in it all the same. The effort to discipline Indonesians through indoctrination and retooling was a modern, rational effort to create efficiency while simultaneously upholding traditional values that legitimized them both as leaders and revolutionaries.

At the same time, there was a genuine effort to improve the managerial capability of the bureaucracy through the Bapekan and Paran. Both bodies tried to implement some measure to increase efficiency, which included problems of the political nature. Like that of national planning, the early Guided Democracy state was earnest in trying to create positive changes. Its failure represented the inability of experts in understanding the effect of the logical actions of scientific management. Perhaps, the most significant heritage of the Guided Democracy movement was its controlling devices and mechanisms, which would continue during the New Order regime.

CHAPTER VII

Economic Policy-Making in the Guided Democracy (1962-1965)

Economic policy-making showed inherent tensions between participatory ideas and the need for societal control to carry through harsh and necessary policies. Both positions stemmed from two different philosophical ideas, which often times seemed to contradict the assumed ideological position of 'Marxist' versus 'liberal' economists. Both parties agreed, more or less, that the control of the economy by the state, especially its inefficient bureaucracy, was doing more harm than good.

Yet, the answer each side gave was decidedly different. The communist idea of the production policy called for greater participation of farmers and labourers in the economy as agents, as opposed to the expert-led economy, which increasingly pushed the Western-educated economists into a cooperative position with military managers. Institutions like the *Dewan Perusahaan*, would allow unions into the managerial boards of state-owned enterprises in an effort to allow greater participation in the decision-making process of the economy. This production policy assumed an active agency of the farmers and labourers as producers and capitalists themselves. One might say that the difference between a state-centered versus a society-centered development was quite slim. In fact, Communist support for decentralization and de-concentration of management had a rather weird liberal air about it. The Communists questioned whether Guided Democracy was a semi-

fascist political and economic system that was even worse than the liberal democratic system it replaced.[1]

Western-educated economists also supported de-concentration and the gradual introduction of the market mechanism into the economy, but they saw this process within the confines of state control over market forces. They wanted to introduce incentives and competition into the state-owned enterprises; authority was to be given to the managerial level, not to individual farmers and labourers. The economic rehabilitation program was predicated on the control by the expert, as the discussion on the new generation of economists in Chapter One has shown. The effort to implement economic rehabilitation since 1963 provided a glimpse into the increasing tension between these two economic models and showed how the Communists succesfully implement their nationalistic economic ideas, especially when the state took over much of the Communist lexicon during the Berdikari (*berdiri diatas kaki sendiri* – standing on one's own feet) policy period.[2]

The Deklarasi Ekonomi (Dekon) started off as a rehabilitation policy under the guidance of the IMF, but the influence of nationalists and Communists within its various committees had resulted in the change in its wording to accommodate ideas that were supportive of the nationalist and communist stance in the economy. As a result, Dekon was used by the Communists as a legal foundation to push forward their ideas, including attacking the May rehabilitation regulations and policies which had been the result of the work between Indonesian economists and the IMF. The failure of the rehabilitation program and the use of Dekon as a legal and moral foundation allowed for a continued Communist push into the policy-making process in the government.

1 Herbert Feith, *Sukarno-Militer dalam Demokrasi Terpimpin*, p. 48. The Communist distrust of the bureaucracy and the military shaped this somewhat non-state centered view of the economy and society.

2 This autarkic confidence stemmed from the notion's of the productive capability of the Indonesian farmers and workers and also from the belief that despite economic problems, Indonesian society would soldier on. Both Sukarno and the PKI believed this condition and the thought that Indonesian society breaking down was something that was not entertained by many within these circles. On the other hand, Western economists were equally befuddled by the seeming capability of the Indonesian to make do within a constantly deteriorating situation.

Economic Deterioration and Rehabilitation

There was a widespread acknowledgement that the economic situation by 1962 had become dire indeed. Indonesia had started reaching out for international help, in fact, in 1961 when the Humphrey mission evaluated its economic condition. An IMF loan was procured in August 1961 to the tune of 41 million dollars to help the country's balance of payment. However, Indonesia was refused a loan from the World Bank because it was still required to pay indemnities to the nationalized Dutch enterprises. Dekon was considered to be a good rehabilitation strategy. Mohammad Sadli said about the program that "now our price policies are based on more rational principles."[3] The Dekon effort produced two quite different documents; the Deklarasi Ekonomi announced on 28 March 1963 and one month later, the May Regulations announced on 26 May 1963. The Deklarasi was a philosophical tract concerning the goal of the national revolution. While the May Regulations were policies on austerity measures and the effort to relieve the economy from the inflationary spiral. The regulations were supposedly the logical extension of Dekon, but because of Dekon's vague wording, it failed to provide legitimacy to the regulations. This divergence was put to good use by the Communists, while attacking the legitimacy of the rehabilitation effort.

Indonesia has had a strong inflation since 1952, increasing since 1957 and lurching toward an uncontrollable level by 1961.[4] The collection of 'funds and forces' of the revolution were not central to the Dekon's approach for economic rehabilitation, because its successful negotiation with the IMF and the DAC (Development Assistance Committee) nations allowed some monetary reprieve through foreign loans. Later on, when Indonesia became increasingly isolated, the focus would be on gathering the last pools of money available in the Republic-for instance by targeting the Chinese-Indonesian businessmen, living in Jakarta's Pintu Ketjil Chinatown. Production had slowed considerably as productivity levels dropped and infrastructural woes increased costs and created congestion, resulting in lower exports. The 14 regulations published in May were focused on rehabilitating the production

3 Mohammad Sadli, "Stabilisasi ekonomi sebagai sjarat untuk pembangunan ekonomi jang effektief" in *Madjalah Perusahaan Negara*, no. 33, year 3, September 1963, p. 8.

4 J.A.C. Mackie, *Problems of the Indonesian inflation*, p. 2-3.

sector, increasing state income and improving strategic sectors.[5] The main focus of the plan was to limit inflation to a manageable level and then to increase production. The problem was how to create a big production drive while introducing anti-inflationary measures.

A significant part of the economic woes was due to the reduced efficiency of large segments of the state-owned companies that had previously been under foreign management. Between 1957/1958 and 1960, Dutch nationalized companies were under a variety of government supervisory bodies, grouped according to their industrial field; the BUD for commercial enterprises, Bappit for industry and mining, PPN-Baru for industrial estates. These bodies were to be government-owned but privately managed along sound business lines.[6] The Presidential Regulation (PP) no. 19/1960 integrated all government- and non-government owned companies within managerial bodies controlled by the state. The PP also required companies to provide 55% of their profits as contribution to the government's revolutionary funds. It dissolved the supervisory bodies and "ambitiously codified the behaviour of all state enterprises and rigidly laid down rules governing the relationships between them in different sectors of the economy."[7] Government-owned companies were to be integrated according to types of industry within what were called General Managerial Boards or BPUs (*Badan Pelaksana Umum*). The boards oversaw a contingent of government-owned companies in an effort to create economies of scale. The BPUs themselves were placed under various government ministries. This meant that government-owned companies had at least three levels of management: the ministry, the BPU and the company management. This often caused problems resulting from conflicting rules and policies. Coupled with a lack of infrastructure and traffic congestion, uncertainty in regulations, an increasingly complex and unwieldy bureaucracy and, most important of all, uncontrolled inflation, it was no wonder that much of the state-owned sector effectively became bankrupt.

During the colonial period, government-owned companies provided quite a large share of total government revenue. In 1929, they contributed

5 Production, prices, credits, budgets and administration or procedures.

6 J. Panglaykim and Ingrid Palmer, *State trading corporations in developing countries. With special reference to Indonesia and selected Asian countries*, (Rotterdam: Rotterdam University Press, 1969), p. 7-8 and 16.

7 J. Panglaykim and Ingrid Palmer, *State trading corporations in developing countries.* p. 17.

up to 28% but in 1939, this had decreased to only 14%. By 1955, the total share of government revenue contributed by government-owned companies had reached only 8%. In comparison, taxes climbed from 65% of the total revenue from 1929 to over 90% by 1951.[8] It was thus quite weird for the government to expect increased revenues from the profits of state-owned companies. In fact, government-owned company contributions to state coffers dipped below the state's credit commitments given through state banks since 1960. The state was in effect subsidizing the companies. Contributions declined from a level just even to government credit to a whopping 1/102th of the credit by 1965, when government credit grew to Rp. 527,106,000,000 with a measly Rp. 5,130,000,000 of return contributions.[9] Government-owned companies grew to become a huge liability for the government and became a subsidized system for the various Indonesian managers and employees.

Another principal reason for the deterioration of the economy has been attributed to the reduction of the Central Bank as an independent body capable of determining monetary policies and thus fine-tuning the economy. Sjafruddin Prawiranegara, the noted head of Bank Indonesia, had resigned in February 1958 and would join the PRRI rebels soon enough. By 1960, the Bank stopped publishing its weekly, quarterly and annual financial reports, plunging the public into the dark concerning the monetary condition of the country. In 1961, the naming of Jusuf Muda Dalam, a PNI Sukarnoist, as Minister for Central Bank Affairs and Governor of the Bank of Indonesia spelled the end of its role as independent monetary policy maker. Instead, the Bank was there to support Sukarno's revolutionary plan.[10] The combination of the loss of discipline of the fiscal policy and the loss of a monetary policy body significantly reduced the government's capability in dealing with macroeconomic problems especially the looming inflation, which by the end of the Guided Democracy would rise to become a full-blown stagflation, i.e. high inflation with a stagnant economy.

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8 Douglas Paauw, *Financing Economic Development. The Indonesian Case*, (Glencoe: The Free Press, 1960), p. 169-170.

9 *Laporan Penelitian tentang Effisiensi Pembelandjaan Perusahaan2 Negara Periode 1960-1966*, (Yogyakarta: Biro Penelitian Ekonomi FE-UGM, 1968), p. 3.

10 Radius Prawiro, *Indonesia's Struggle for Economic Development. Pragmatism in Action*, (Kuala Lumpur: Oxford University Press, 1998), p. 3-4.

A comparison between 1961 and 1965 gives a vivid picture of the deteriorating conditions. GDP (constant price 1960) increased from Rp.390.5 billion in 1960 to Rp.429.7 billion in 1965 with an annual growth of 2,2% and an annual population growth of 2,8%. GDP per-capita was on an annual negative growth of 0,6%. Exports had gone from $620 million in 1960 to $462.7 million in 1965, down 30%. With an increase in population of about 30%[11] throughout the same period, foreign exchange per capita had decreased by a whopping 60%. Foreign debt grew from around $900 million in 1961 to about $250 million by 1966, an increase of 250%. For the year 1966, the total amount of debt payment, including interests, equaled to around $530 million dollars because some of the long-term debts had matured. This amount was larger than the entire national export. Even more uncontrollable was the problem of deficit. The money flow increased from Rp. 47,8 million in 1960 to 11,418.2 million by July 1966, an increase of 23,887%. Government deficit grew from Rp. 6,9 million in 1960 to Rp. 5,237.7 million by the same period. Throughout the later part of the Guided Democracy, inflation was always above 100 percent annually. This hurt consumers badly as food prices between 1961-1966 increased by forty times, in fact eight times in the year 1965 alone.[12] Massive inefficiency and the lack of foreign exchange reserve plus an escalating food price coupled with bad harvest resulted in outbreaks of famine in many parts of central Java.

DEKON: Deklarasi Ekonomi

At its heart, the Dekon was a rehabilitation measure meant to deal with inflation. Thus, monetary policy, i.e. Keynesian fine-tuning of the economy, was the main thrust for rehabilitation and its main policy was austerity. It was vaguely based on a Yugoslavian political economy model,[13] although to what extent this was the result of the studies by Indonesian economists is undetermined. Economists stressed the importance of austerity: "As long as

11 This was based on Bintoro Tjokroamidjojo calculations. Population growth rates of 2.8% would have increased total population in five years of just around 11 percent. Because of lack of accurate data, it is uncertain which numbers were more representative of reality.

12 Bintoro Tjokroamidjojo, "Perkembangan dan Evaluasi Tahap Penjelamatan Bidang Ekonomi dan Keuangan" in Bintoro Tjokroamidjojo, *Tulisan-tulisan Administrasi Pembangunan, 1966-1968*, p. 1-7.

13 J.A.C. Mackie, *Problem of Indonesian Inflation*, p. 38.

the government fails to rein in this strong inflation, then first, social efficiency will never be met and, second, the targets of the national planning will never be achieved."[14]

Yet, the resultant Dekon had to accommodate various views that blurred this monetary focus. Sukarno himself said that "the present dire circumstances cannot be solved as a stand-alone problem; it certainly cannot be solved purely through conventional monetary actions alone."[15] This blurring of the rehabilitation program allowed for a sustained attack, by the Communists and by the end of 1964, their influence became quite significant, resulting in a shift of emphasis toward expanding worker participation. The drive toward what was termed 'social support' grew significantly in the later years of Guided Democracy. But the Dekon showed just to what extent economists were willing to integrate their views on market mechanism, competition and other forms of 'Western' economies with the socialist system.

By late 1962, the worsening economic condition was worrying Sukarno's inner circle. In November, Djuanda approached American ambassador Howard Jones to ask for American aid. At the same time, the Soviet Union delegation met with Soebandrio to discuss a trade credit for Indonesia worth 100 million dollars.[16] Foreign Minister Soebandrio, also approached the intellectual Soedjatmoko for help in formulating an economic program for Indonesia.[17] Soedjatmoko was part of a group of Indonesian intellectuals who met regularly to discuss the problems facing the country. According to Sarbini Sumawinata, he and others saw it as an important opportunity to draw Sukarno closer toward the technocratic group.[18]

Economists like Sarbini Sumawinata and others like Mohammad Sadli and Widjojo Nitisastro[19] no doubt contributed to the development of the

14 Mohammad Sadli, "Effisiensi perusahaan dan effisiensi perusahaan negara dewasa ini" in *Madjalah Perusahaan Negara*, no. 28, year 3, April, 1963, p. 22. "Selama pemerintah tidak dapat mentjegah inflasi jang keras maka, pertama, effisiensi sosial tak akan pernah tertjapai, dan kedua, target2 penanaman Rentjana Nasional djuga tak pernah akan tertjapai."

15 Sukarno, "Deklarasi Ekonomi" in *Madjalah Perusahaan Negara*, no. 28, year 3, (April, 1963), p. 5.

16 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 189-190.

17 Soebandrio later disowned this claim and stressed that the Dekon was equally affected by Communists like Aidit. Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 233.

18 Sarbini Sumawinata, "Recollections of my carreer" in *Bulletin of Indonesian Economics Studies*, Vol. 28, no. 2, August, 1992, p. 49.

19 Thee Kian Wie, *Recollections. The Indonesian Economy, 1950s-1990s*, p. 229.

Dekon and its regulations. This effort to reduce the role of the state and allow for the implementation of market forces seemed to be a challenge to the socialist experiment of the Guided Democracy. That Soebandrio, a senior member of the Guided Democracy elite, now requested the help of the economists was a sobering indictment of the failure of the early Guided Democracy experiment. Soebandrio was competing with Djuanda to come up with an acceptable stabilization plan.[20] The Dekon was launched on 28 March 1963 and by May, a series of economic and fiscal reforms was announced, price controls were removed and government subsidies reduced. Sukarno's projects were halted and the government focused henceforth on agricultural and industrial production.[21]

By late 1962, the AID mission ramped up their consultation with the economists in Djuanda's entourage. On February 14, 1963, an Indonesian delegation headed by Sutikno Slamet,[22] went to the United States for three weeks to hammer out an agreement and discuss debt rescheduling and loans to Indonesia to the tune of 350 million dollars. They succeeded in convincing the authorities there of the sincerity of the Indonesian efforts at economic reforms and acceded to stringent qualifications. In March, the IMF sent its Indonesian executive director, Mr. Sumanang, a former member of the Wilopo cabinet, to reassure Indonesia on the economic rehabilitation program.[23] In November, Indonesia requested an IMF mission to advise on stabilization measures.[24]A team of 10 experts was sent to draft technical details with their Indonesian counterparts. The report was said to have contributed heavily to the May stabilization regulations. [25] The Kennedy Administration was hopeful that the core economic managers and technocrats around Djuanda would be able to wade through the political muck.[26] Debt rescheduling was an important component of the economic reforms being proposed. In April, Indonesia discussed the issue with the Soviet Union. On

20 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 223-224.

21 John H. Sullivan, *The United States and the New Order*, (PhD Dissertation American University, Washington DC, 1969), p. 42-43.

22 Eric Chetwynd Jr. "The Indonesian Stabilization Attempt of May 1963," p. 41. He was a former director of the IMF and former financial advisor to President Sukarno.

23 Duta Masyarakat, 26 March 1963.

24 Frederic Philip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 214.

25 Eric Chetwynd Jr. "The Indonesian Stabilization Attempt of May 1963," p. 41-42.

26 Frederic Philip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 75.

9 December, the United States proposed debt rescheduling for Indonesia to the Development Assistance Council, a group of lender nations within the US orbit of influence, and discussed the possibility of creating a coordinating group for Indonesia.[27] This was precursor to the later Inter-Governmental Group on Indonesia in 1967. Sukarno was convinced that he could get 600 million out of America relatively easy.[28] After a favourable report by the IMF, the government hoped to obtain up to 400 million dollars from the US, the World Bank, the IMF and other DAC members, like the UK, France, West Germany and Japan.

Between February when Indonesia contacted the IMF and March when the Dekon was announced, three separate committees were created in order to design and implement the economic program. The first, a Committee of Five, was formed in February 6, 1963, and was headed by First Minister Djuanda, Finance Minister Notohamiprodjo, Foreign Minister Dr. Subandrio, Minister of Central Bank Affairs Sumarno and Minister for Basic Industries and Mining Chaerul Saleh. The Committee published a report that was heavily influenced by Djuanda drafted with the help of his AID-funded advisor, Bernard Bell, a private economic consultant. His staff was successful because he knew many of the Indonesians working at the First Minister's office and there was a degree of trust.[29] Yet, according to Rosihan Anwar, the President rejected Djuanda's plan on 27 February.

In early March, a Committee of Thirteen was created, chaired again by Djuanda, and drafted the basic strategic principle for future policy guidelines. This committee included more 'political' representation, including D.N. Aidit and M.H. Lukman of the PKI, Ali Sastroamidjojo of the National Front, Idham Chalid of NU and various other political appointments. It was within the Committee of Thirteen that Soebandrio approached the economists and produced what was called the Economic Manifest (*Manifes Ekonomi*). It was also in this committee that the Communist involvement became significant and this allowed them to claim that Dekon supported their economic policies. At a later date, the President named the last committee, the Committee of Seven, to outline the government's economic

27 Frederic Philip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 215.

28 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 218.

29 World Bank Archives, Bernard Bell personal archives, Conversations about George Wood and the World Bank, S.5583 Oral History Transcript.

policy. It was chaired by Dr. Johannes Leimena and was dominated by political figures.[30] The Committee of Seven saw Djuanda's further erosion from his position, as he was not included in the committee.[31] Djuanda's gradual loss of influence was paralleled Soebandrio's rise.[32] Unlike Djuanda's plan, Soebandrio's FEUI-written plan was approved.

The rehabilitation program was abandoned several months later after receiving little public support, even from the government and decreasing international support as Western governments gradually lost faith in Indonesia's sincerity in dealing with the problem. The 26 May regulations, which were part of the IMF-endorsed stabilization programme had dismantled price controls, resulting in increased fares for public transport and other austerity measures. The role of Djuanda in coordinating the regulation was central. Other key figures included Finance Minister Notohamiprodojo, Central Bank Affairs Minister Sumarno, State Budget Minister Arifin Harahap and the Executive Governor of the World Bank and former Bank Indonesia Governor, Sutikno Slamet, a good selection of Indonesian professional experts.[33] Prices of the postal service, transport and electricity rose by 400% to 600%, but salaries and allowances of civil servants were doubled. A new set of foreign exchange regulations were introduced, 40 million dollars worth of foreign exchange was released as part of the 'crash program' to import spare parts and raw materials to support industrial production and the program envisaged the halving of 1963 deficit and complete elimination by 1964.[34] Reaction from the political class was decidedly negative.

> The PKI focused its attack on Djuanda and his heinous crime of 'liberalism'. By September 7, Sukarno had issued a statement for the retraction of the rehabilitation measures.[35] US Ambassador Howard Jones announced that

30 Eric Chetwynd Jr. "The Indonesian Stabilization Attempt of May 1963," p. 42-45.

31 Rosihan Anwar, *Sukarno, Tentara, PKI,* p. 232-233.

32 According to Rosihan Anwar Djuanda was sullen about this and did not attend a state meeting on Dekon. Rosihan Anwar "Pelopor Teknokrat. Non-stop jadi Menteri" in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, Administrator dan Teknokrat Utama*, (Jakarta: Kompas, 2001), p. 216.

33 Eric Chetwynd Jr. "The Indonesian Stabilization Attempt of May 1963," p. 39.

34 J.A.C. Mackie, *Problems of Indonesian Inflation*, p. 39.

35 Rex Mortimer, *Indonesian Communism under Sukarno. Ideology and Politics, 1959-1965*, (Ithaca: Cornell University Press, 1973), p. 266-267.

if Indonesia created a new cabinet of which the Communist were a part, or if Indonesia escalated its *Konfrontasi*, the IMF deal would be off.[36] This despite the fact that, since early 1963, the Russians had been pushing for a cabinet that included the PKI as part of the debt rescheduling negotiation.[37] Even so, because of the vague wording of the Dekon itself, its symbolic use was to continue throughout the period and a variety of people claimed to have been the main actor in its inception.[38] It was obvious that at the last instance, the Dekon document accommodated the wishes of both the PKI and the military, rendering it rather useless as the legal foundation for the legitimacy of the rehabilitation program. It was, according to Sjahrir, a ruse by Sukarno.[39]

On 15 May 1963, Sukarno's *Ambeg Parama Arta* speech, meaning 'to prioritize essential matters', declared further changes in government policy-making. In the speech, Sukarno declared a series of sweeping changes within the Guided Democracy state. It was a declaration of the failure of the corporative project of the early Guided Democracy state with its mascot, the corporative Depernas body. Sukarno announced that the Depernas was to be incorporated within the executive government and to be put under the office of the President, similar to the function of the BPN during the 1950s.

Sukarno's position on experts seemed to have changed, at least briefly during this period. Although he still loathed economists[40] and proclaimed to have no knowledge of the economy in a speech he gave at the FEUI in 1964,[41] he warned members of Parliament that they had no constitutional right to

36 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 234.

37 J.A.C. Mackie, *Problems of Indonesian Inflation*, p. 37.

38 Rosihan Anwar, *Sukarno, Tentara, PKI*, p. 236. The communists consider the Dekon to be the work of M.H. Lukman, a staf of BI claimed that it was Djuanda's staff, an Indian military attaché claimed to have inside information that Prajudi Atmosudirdjo, the then former head of LAN was involved. As Prajudi was a follower of Sumitro, it was claimed that it was PSI involved.

39 Rosihan Anwar, *Sukarno, Tentara, PKI,* p. 237.

40 For instance, Emil Salim was surprised when he returned to Indonesia in 1964 after finishing his doctorate degree to find that Sukarno has disallowed the reading of Western economic textbooks. Emil Salim, "Emil Salim" in Thee Kian Wie (ed.), *Recollections*, p. 197-198.

41 Selo Soemardjan, "Public and Private Enterprise in Indonesian Economic Development" in Yip Yat Hoong (ed.), *Role of Universities in Management Education for National Development in Southeast Asia*, p. 81.

tamper with details and "stuff I consider too complex."[42] He warned them to stay away from discussing about 'numbers' and other technical stuff. "Let that stuff be in the hands of a specialized apparatus, made exactly for the purpose, in order for the job to be conducted in a perfect manner, because this work requires expertise and a long work hours."[43] In March 1964, Sukarno asked for Hatta's help in solving the worsening economic situation, especially the provision of rice. Hatta, meanwhile, asked for the help of Sarbini, Saroso Wirodihardjo and Soedjatmoko in this quest.[44]

The Deklarasi Ekonomi envisioned a series of policy changes to bring about a turn around. Although the focus was primarily on the reduction of inflation, the choices was made for a decentralized and de-concentrated economy, the de-bureaucratization of the economic structure and the allowance of greater market forces to work for price mechanism.

Austerity Measures

Austerity measures imposed on the government and the economy in order to control inflation through reduced government spending constituted the most important part of Dekon. The elimination of various price controls and government subsidies and a significant rise in the bus and rail transportation and other mounting prices hit hard the urban section of the population with fixed wages.[45] These measures were necessarily imposed by the IMF and the DAC in return for emergency aid. It was also the weakest part of the Dekon measures as such policies were open to Communist attack. It became, in fact, a political struggle between monetarists and production policy makers. Those of the future technocracy saw inflation as the most significant problem while the Communist economists identified the problem as one rooted in the system's non-participatory nature and the absence of the people's productive capacity within the economy.

42 Soekarno, *Ambeg Parama Arta.* p. 31.

43 Soekarno, *Ambeg Parama Arta.* p. 32. "Biarlah hal itu dikerdjakan oleh suatu Aparatur chusus, jang ditugaskan untuk keperluan itu, agar pekerdjaan dapat diselenggarakan dengan lebih sempurna, karena untuk keperluan itu diperlukan keahlian dan waktu-kerdja jang tjukup lama."

44 Rosihan Anwar, *Sukarno, Tentara, PKI,* p. 282-282. Saroso Wirodihardjo was an economist and uncle of Sumitro Djojohadikusumo.

45 Frederick Phillip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 381-382.

The austerity measures required strong will-power from President Sukarno, but it became obvious by many people that this was not possible. For instance, sometime after the announcement of Dekon, Garuda Indonesia imported several brand-new planes on credit. This weakness at the very heart of the state doomed the Dekon program from the start. It is no coincidence that the measures of the Dekon were practically the same as the measures undertaken by Widjojo Nitisastro in 1966 when Indonesia announced its rehabilitation measures.[46] This is not wholly surprising; the Dekon was itself written by the same FEUI economist-IMF group.

Shift toward Production

Increased production was essential because inflation hit both the productive sector and agriculture. Export had decreased from Rp. 19 billion to Rp. 12,8 billion between 1960 and 1962, the lowest in a decade.[47] The government acknowledged the economic difficulties and promised to focus on the economy, after spending 80% of the national budget on security issues and the West Irian effort in 1960-1962.[48] A major problem had been the constraints on the managerial independence at the company level, for example, the application of the PP no. 19/1960, which integrated all state-owned companies within managerial boards (*Badan Perusahaan Umum* or General Management Board). The BPUs were, in turn, under the authority of specific ministries. The BPU and the ministries pushed their ideas and plans on the company managements and this affected their efficiency. The BPUs were to be reduced in organization and authority. Mohammad Sadli suggested that BPUs should become a watchdog, part of the social control that would allow for the increase in the social efficiency of the economy.[49]

46 Widjojo Nitisastro, *The Indonesian Development Experience*, (Singapore: Institute of South East Asian Studies, 2011), p. xiv. "In the short term, a stabilization programme to control inflation and a rehabilitation programme to build infrastructure were given particular priority."

47 C. Siahaan, "Pelaksanaan Dekon" in *Madjalah Perusahaan Negara*, no. 31, year, 3, July, 1963, p. 14-15.

48 Djuanda Kartawidjaja, "Sambutan Menteri Pertama pada Seminar Perusahaan Negara tgl. 30 Maret 1963 di Djakarta" in Madjalah Perusahaan Negara, no. 28, year 3, April, 1963, p. 11-12.

49 Mohammad Sadli, "Effisiensi perusahaan dan effisiensi perusahaan negara dewasa ini" in *Madjalah Perusahaan Negara*, no. 28, year 3, April, 1963, p. 18.

De-concentration and De-control

The Dekon allowed greater independence for companies to determine levels of production, pricing, profit making, marketing and so forth.[50] Companies were free to work according to a business mind-frame within a free environment without being hampered by regulations of the Department and the General Management Boards or regional officials.[51] At the same time, the General Management Boards should provide economies of scale, as their coordinating authority would allow various companies to work together within common goals. The PP no. 19/1960 also earmarked state-owned companies as cash cows, requiring them to fork up 55% of their profits to the state as part of the Overall Development Fund. Although profits were on the increase, they also encountered increasing levels of state taxation.[52] A gradual de-control of the economy away from the hands of state bureaucrats was envisioned. Government Regulation no. 7/1963 was one of the follow up measures, which gave full autonomy to state trading corporations.[53] Setting the price mechanism within the productive and service sector was left to company management. The shift toward an export drive was part of the stepping up of production. A limit on the increase in prices of rice and textiles was also introduced in order to stem inflation.

Increased managerial independence from the central government, the BPUs and the regional government heralded an effort for greater de-concentration. The central government's role in the economy was to be gradually reduced. This meant greater managerial independence and also greater regional autonomy. Import and export administration were to be devolved from central to regional offices.[54] This devolvement would result in the reintroduction of competition, not a free-market one, but a socialist one.

50 C. Siahaan, "Pelaksanaan Dekon", p. 14-15.

51 Soenarto Soedibroto, "Aktivitas PDN2 dalam rangka Dekon" in *Madjalah Perusahaan Negara*, no. 34, year 3, October, 1963, p. 13-15.

52 In 1960, the profit of state-owned trading companies was at Rp. 1.926,9 billion and in 1961 at 1.425,1 billion. Profits that were given to the Overall Development Funds were Rp. 503,9 million and Rp. 648,3 million. "Kolonel Soehardiman dihadapan wartawan2 ekonomi ibukota tentang fungsi BPU-PDN dan PDN2 dalam rangka Perpres no.7, 1963" in *Madjalah Perusahaan Negara*, no. 32, year 3, August, 1963, p. 10-13. By 1965, however, most of the companies have become unprofitable.

53 J. Panglaykim and Inggrid Palmer, *State Trading Corporations in Developing Countries*, p. 70

54 Sukarno, "Deklarasi Ekonomi" in *Madjalah Perusahaan Negara*, no. 28, year 3, April, 1963, p. 8.

Competition was considered essential in order to raise productivity and as a corrective mechanism for market conditions. It was not called a free-market competition, but an efficiency competition.

Market Mechanism

Mechanisms that worked within free-market economies were introduced as part of the effort to increase efficiency and increase productivity within objective measurements. For instance, competitions based on goals between state trading companies and amongst employees working within the same companies were introduced. "Obviously, the price mechanism which is used in the interest of planning must not be left on its own; price mechanisms should be used in a guided manner! That is why the nature of competition is also limited, it is a guided competition!"[55] It really was a socialist competition. Many of the reasons being put forward to legitimate such actions were taken from the studies conducted by economists in Eastern European countries, which also faced a lack of incentives in the economy and the need to reintroduce forms of market mechanisms.

The idea of incentives was not merely to introduce market mechanisms, but to reach overall efficiency. Within a socialist economy, efficiency lay not within a particular company, but within the overall economy. This was what Sadli termed to be 'social efficiency.' It was the job of the managerial body of each company to respond to the social efficiency, not purely to company efficiency. The state was to provide incentives and disincentives toward the companies as a means of control toward the desired goals of society, such as through import and export policies, credit policies and taxation.

Foreign Participation

Both production-sharing and joint venture programmes were introduced as means to allow forms of foreign direct investment within the country. Development financing had become a major problem, only made worse by inflation. Inaugurated in 1962, it was hoped to act as a funnel for foreign investment in the extractive sectors of mining and oil. The funds committed

55 Mohammad Sadli, "Effisiensi perusahaan dan effisiensi perusahaan negara dewasa ini" in *Madjalah Perusahaan Negara*, no. 28, year 3, April, 1963, p. 22.

were rather limited; 72 million dollars for the period of 1962-1966, a small fraction in comparison to the foreign borrowings Indonesia accrued. The biggest investment came from the Japanese at over 44 million dollars. Western Europe provided some 15.5 million and Eastern Europe over 12 million dollars. Aside from foreign exchange, foreign direct investment was also expected to import foreign managerial and technical experts. Six million dollars were spent on paying for foreign experts in a wide range of extractive industries including tin mines, palm and coconut oil plantations.[56]

Social Control

As part of the corporative strategy of the Guided Democracy model, the idea of social control, social support and social participation became an essential component of the reform process. Yet, the failure of the Depernas project and its incorporative forms in national planning, did not lessen Sukarno's support of some form of participation that should be extended into the wider economy. If national planning had to be retraced within the central governing bodies of the Bappenas-Muppenas, at the company level, participation of social organizations should be achieved through the provision of access toward the managerial level of companies. These ideas of social control were to be implemented under the auspices of the National Front.

The creation of the Company Board (*Dewan Perusahaan*) which allowed for participation of trade union organizations within the policy making body of companies represented significant expansion of participation at the grass-roots level of the economy. It was an effort to democratize company managerial relations. The *Dewan Perusahaan* was incorporated into law no. 45/1960 as part of the economic reorganization of that year. It was meant as an answer to the problems plaguing labour-management relationship and the low levels of productivity of Indonesian industry. The relationships were strengthened in the Dekon Chapter 11. The *Dewan Perusahaan* assumed to replace labour-management relationship from one of employment to a human and social relationship in order to increase the quality of production.[57]

56 Joyce Gibson, "Production sharing: part II" in *Bulletin of Indonesian Economic Studies*, no. 2, year 4, 1966, p. 75-100.

57 Nurdjaman, "Dewan Perusahaan sebagai Alat Revolusi dalam kerangka tata susunan perusahaan Indonesia" in *Kumpulan Kertas Karya Musyawarah Besar Sardjana Ekonomi. Djakarta, 15 Djuli 1964. Jilid I*, (Jakarta: Jajasan Badan Penerbit, 1964).

Like many other aspects of Guided Democracy, economists had studied various forms of company boards in the Soviet Union, Poland and Yugoslavia, obtaining a varying range of institutional applications within their respective contexts.

A financial plan was drawn up which included the need to reach a balanced budget and a reduction of expenditures by stopping new projects, rescheduling foreign credit payment and gradual and selective elimination of subsidies. State income was to be increased through intensification of taxation and customs, increasing taxes on domestic transaction, private wealth, land, external signs of wealth, the profits of state-owned companies and introducing new land-reform taxes such as an absentee and sharecropping tax on landowners. Foreign exchange policy was focused on import of raw materials and spare-parts in order to reach the pre-Guided Democracy production capacity (1955-1957).

Increase in exports was to be achieved by reducing bottlenecks and increasing flexibility in the export system, the rescheduling of foreign credit payment and obtaining new credit facilities at the same time. A credit plan was worked out in which credits would be selectively given only to quick-yielding ventures. Consumption credits were to be stopped and credits were to be structured in accordance with import plans. Price policy should be in-line to support production target output. Selective price control would be conducted as stimulus to increase production. State subsidies would be decreased and rationing would be selected for strategic products. Some subsidies would be maintained, for instance for oil and gas, in order to dampen inflation. Salary and wage policies were designed to reduce inflation. Increases in wages and salaries were allowed in some sectors as a stimulus to increase production and a reorganization and rationalization of the state apparatus was to be conducted in order to increase efficiency. It was hoped this would effectively reduce the bloated numbers of civil servants.[58]

Regulations and facilities for state-owned and private-owned companies should be equalized in order to push for more efficient organization and management capabilities. The focus on economic growth was to increase production and infrastructure, especially in transportation and distribution. The role of private-owned companies was acknowledged especially in

58 *Laporan Tahunan Staf Komando Tertinggi Operasi Ekonomi tahun 1964*, (Jakarta: KOTOE, 1964), p. 29-37.

manufacturing industries. Tax holidays, fiscal pardon and depreciation policies and other incentives were given. Market rationale through incentives and stimulus was replacing state-controlled decisions. The focus was not on proposing new projects, but on rehabilitating old ones. Nonetheless, government control over the various aspects of this austerity plan was very limited. For instance, over 70% of Indonesian credit was produced through the non-banking system.[59]

Deferment of foreign credit payment required cooperation with foreign creditors. The Soviet Union had already stopped extending large-scale credit to Indonesia by 1963.[60] The IMF and DAC remained willing to provide 350-400 million dollars of credit as a stopgap financial measure, but these required Indonesia's commitment to focus on its economic recovery.

Amount	Form and source
90 million	DAC emergency credit
150 million	Surplus food supplies from US
20 million	Annual Japanese War reparations
40 million	IMF credits
100 million	Rescheduling

Frederick Philip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963* (Thesis Presented at Cornell University, 1969) p. 388.

Criticism of the PKI

The failure of the Dekon was understood to be the result of the inability of Sukarno's government to maintain discipline. The opening of *Konfrontasi*

59 *Laporan Tahunan Staf Komando Tertinggi Operasi Ekonomi tahun 1964*, (Jakarta: KOTOE, 1964), p. 48.

60 In 1964, there had been agreement to increase military aid in relation to the confrontation with Malaysia, but not as large as the Soviet support for the Irian confrontation. In fact, the Soviet were less certain of their support for Indonesia in the *Konfrontasi*. 90% of Soviet aid was for military purposes. Usha Mahajani, *Soviet and American aid to Indonesia. 1949-1968*, (Athens: Ohio University Center for International Studies, 1970), p. 28-29, Nadia Derkach, "The Soviet policy towards Indonesia in the West Irian and Malaysian dispute" in *Asian Survey*, vol. 5, no. 11, November 1965, p. 566-571, Ragna Boden, "Cold War economics: Soviet aid to Indonesia" in *Journal of Cold War Studies*, vol. 10, no. 3, Summer 2008, p. 110-128.

with Malaysia and Singapore shifted the political focus, while austerity measures were not kept. Popular support for the rehabilitation remained low. Bunnell has suggested that the reason for this was that the business sector represented only a small percentage of the Indonesian urban population. The vast majority of Indonesians were farmers on whom the monetary sector of the urban economy has less effect on their lives. At the same time, the bureaucracy and the military were protected from inflation through a combination of government subsidies and corruption.[61] The support from urban wage earners was understandable considering the fact that wages lagged behind price increases, due to the easing of price control and the removal of some government subsidies.[62]

The PKI immediately launched opposition to the May Regulation. Front Pemuda said that it benefitted only the capitalist bureaucrats, compradors and corruptors.[63] Carmel Budiardjo attacked its Western economic credential for failing to link the problem of inflation with the problems of production.[64] The production approach was meant to "concretely free the productive forces which would push the basic strategy of the Indonesian economy."[65] The Communists championed this shift from monetary policy to production policy for it would provide them with access to the derogatorily called bureaucratic capitalist productive economy, which was in the hands of the military.[66] De-concentration was also attacked. The Communist wanted more government intervention, not less. "The corruptors, who had to be eliminated through changing the price policies then, by eliminating price controls and letting the price of government-owned companies conform to market prices, were not eliminated. In fact, they grew because their actions were no longer supervised by the government."[67]

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61 Frederick Phillip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 411-412.

62 Frederick Phillip Bunnell, *The Kennedy Initiatives in Indonesia, 1962-1963*, p. 381.

63 "Mengobarkan gerakan anti-korupsi dan menatasi krisis sandang-pangan. Memorandum Front Pemuda" in *Perekonomian Nasional*, No. 47, year IV, December 1964, p. 21-23.

64 Carmel Budiardjo, "Melaksanakan Dekon dengan konsekwen. Kesulitan ekonomi dewasa ini dapat diatasi" in *Perekonomian Nasional*, No. 47, year IV, December 1964, p. 9-11.

65 Carmel Budiardjo, "Melaksanakan Dekon dengan konsekwen. Kesulitan ekonomi dewasa ini dapat diatasi" p. 9-11.

66 Kabir: kapitalis birokrat.

67 Carmel Budiardjo, "Melaksanakan Dekon dengan konsekwen. Kesulitan ekonomi dewasa ini dapat diatasi" in *Perekonomian Nasional*, No. 47, year IV, December 1964, p. 11. "Tukang2 tjatut jg mau dibasmi dengan mengubah politik harga ketika itu, jaitu menghapus

In other words, according to the Communists, the floating of the currency and the reintroduction of market mechanisms had no effect on eliminating inflation. Carmel Budiardjo argued that the only way inflation could be handled was through a structural incorporation of the working class within the economy: to allow for participation in the management of the companies and the economy. This was what the Communists understood by the idea of social control: a control of the economy by 'society'. These views clashed very deeply with the expert-managerial and military control that placed 'society' on the receiving end. Aidit's definition of social control was thus to "mobilize the masses and get them to participate through labour union representatives in the management and surveillance of state-owned companies" and this was essential in what he termed Manipolis management.[68] The success of the effort was shown through the introduction of the 17 April 1964 regulation, which, in principle, reinstated price controls, although the floating rate was maintained.

Guided Democracy and Economists

The earliest economists who played a significant role within the Guided Democracy state had finished their bachelor's degree sometime in the middle of the 1950s, as the first and most important faculty of economics opened its doors at UI in 1951. The middle of the 1950s was a propitious time for newly graduated economists because of the availability of scholarship in the various old and newly minted foreign academic institutions. The first generation economists, like Mohammad Sadli, Sarbini Sumawinata and Suhadi Mangkusuwondo, started finding their way home to Indonesia by the late 1950s, but it was only from 1962 that there were a significant and increasing number of economists and other social scientists coming back to Indonesia from the United States.

Many of these new economists had good revolutionary credentials. During the independence struggle Suhadi Mangkusuwondo fought in

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sisteem pengendalian harga dan membiarkan harga2 pendjualan badan2 milik pemerintah menjesuaikan diri dengan harga pasar, bukannja dibasmi, tetapi lebih bekemban karena kegiatan2nja sudah tidak diawasi lagi."

68 D.N. Aidit, "Management Manipolis. Dekon menolak monetary approach tapi mengutamakan production-approach" in *Perekonomian Nasional*, no. 50, year V, March 1965, p. 9-10.

the same student army company as Widjojo Nitisastro.[69] When the older generation of economists faded away, the new generation was able to take up official positions in the state. None of them advocated a direct application of a market-based approach toward economic policy-making and, especially during the Guided Democracy, they were quite supportive of the idea of a state-led economy that gave a prominent role to state-owned companies. "During the period of Guided Democracy and Guided Economy in the early 1960s, our attention was focused on the question of how to operate a planned economy based on socialist principles, in which state-owned enterprises (SOEs) were to occupy the 'commanding heights of the economy' and to be its driving force. As economists, we were concerned that the market mechanism be allowed to operate in a planned economy based on socialist principles. Hence, Oscar Lange's views on a socialist market economy became the model for our own views on how to run Indonesia's Guided Economy."[70] This Polish economist was famous for introducing a model of market socialism. Keynesianism had to be worded differently so that it could conform to the *Revolusi* ideology. By early April 1960, Parliament banned continued university affiliation with Western counterparts in the social sciences, although affiliation in natural sciences was deemed permissible. Sukarno would no longer allow the teachings of Keynes in Indonesian universities.[71]

R. Soerjadi, who had worked in the Central Bank as Director for Economic Planning and Statistics presented a paper at an HSI meeting in August 1963, which provided the basic philosophical stance of that period. He focused much on the perceived similarity between the extremes of Communist and capitalist society and in which socialism existed within the entire continuum of these extremes. The assumption lay in the fact that neoliberal economists like Von Mises, Ropke, Hayek and Simons all assumed government intervention admissable in the economy to control the market. Reading the socialist economist A.P. Lerner's *The Economics of Control*, he argued with Lerner's conclusion on the concept of pragmatic collectivism: "Pragmatic as contracted with domestic collectivism is very close to the

69 Suhadi Mangkusuwondo, "Recollection of my Career" in Bulletin of Indonesian Economic Studies, Vol. 32, No. 1, April, 1996, p. 34.

70 Suhadi Mangkusuwondo, "Recollection of my Career" in Bulletin of Indonesian Economic Studies, Vol. 32, No. 1, April, 1996, p. 36.

71 Rosihan Anwar, *Sukarno, Tentara, PKI,* p. 15.

point of view of the liberal capitalist, who is in favour of state activity, where ever the liberal capitalist ideal of perfect competition cannot be made to work."[72] He then proceeded quote the Dutch economist J. Zijlstra in his book *Economische Orde en Economische Politiek*: "If the thoughts of Simons, Hayek and Ropke, who call for government intervention in the economy is acceeded, then the thoughts of Hayek and Ropke will reach the conclusion that the Government must intervene in the matters of 'work opportunity, monopoly and the allocation of national income, which are the three subject that according to Lerner require attention within a 'controlled economy.'"[73]

Soerjadi's paper meant to show that economic system was not automatically tied to an ideology. The overlapping thoughts evinced by socialists and neoliberalists showed the fragility of this fallacy. "As a result, it can be said that a society can have more than one characteristic. This means that for instance liberal societies cannot be identified using just one characteristic, for instance 'an economically free society' and a Communist society cannot be identified by using just one characteristic, for instance 'a Guided Economy society" …"On the contrary, one cannot say that a Guided Economic society is not identical with Communism. In other words, the guided economic system can be combined with other characteristics that do not exist in Russia. This is the case in Indonesia, when the implemented economic system is a guided economic system. But its ideology is that of Pantjasila in a society that is familiar with *musjawarah*, *gotong rojong*, ownership rights with social functions, etc."[74]

72 Quoted by R. Soerjadi, "Sistim Ekonomi Terpimpin dibidang Moneter", speech given at the HSI Economic Seminar, 20 July 1963, p. 6. ANRI, Roeslan Abdulgani, Inv. Nr. 1082.

73 Quoted by R. Soerjadi, "Sistim Ekonomi Terpimpin dibidang Moneter", p. 6.

74 Quoted by R. Soerjadi, "Sistim Ekonomi Terpimpin dibidang Moneter", p. 9. "Dengan demikian dapat dikatakan, bahwa suatu masjarakat itu mempunjai lebih dari satu tjiri sadja. Ini berarti, bahwa mialnja masjarakat Liberal itu, tidak dapat kita beri identifikasi, dengan menjebut satu tjiri sadja dari padanja, umpamanja: "masjarakat ekonomi bebas, dan masjarakat Komunis itu tidak dapat kita beri identifikasi dengan menjebut satu tjiri sadja daripadanja, misalnja "masjarakat ekonomi terpimpin." And "Sebaliknja dapat dikatakan, bahwa sistim ekonomi terpimpin itu tidak identik dengan komunisme. Dengan pertakaan lain, sistim ekonomi terpimpin itu dapat dikombinasikan dengan lapangan2 lain jang sifatnja berlainan dengan jang terdapat di Rusia. Demikianlah, di Indonesia telah ditetapkan, bahwa sistim ekonomi jang hendak didjalankan, ialah sistim ekonomi terpimpin, dasar negara ialah Pantjasila, masjarakat jang mengenal musjawarah dan gotong-rojong, hak milik jang mempunjai fungsi sosial, dsb."

Since no Indonesian economist ever claimed belief in a purely neo-liberal market approach to Indonesian development, including the foreign economists working for Indonesia during the 1950s, there were never any real contradictionsin the research and paper they presented, when they focused on a state-centered economic development similar to the approach taken by Communist and Third World countries everywhere.

The Study of Socialist Economies

From 1960 onwards, economists in various universities started researching state-led models in Eastern Europe and China and tried to develop strategies for the Guided Democracy state. The LPEM and other research institutions started conducting surveys in various countries abroad and conducted research visits to far-flung parts of the archipelago to obtain the knowledge necessary to develop an Indonesianized-version of a mixed economy. The edited volume titled "Indonesian Socialist Economic System" was perhaps one of the most important; in it economists from UI compared and analyzed the economic system of Indonesia and its East European equivalent.[75] Other works include Widjojo Nitisastro, who conducted a series interviews with Polish planning elites and found that their consumption pattern projections were based on West German consumption patterns.[76] Panglaykim's book broadly discuss various managerial approaches in a variety of Eastern European countries and the People's Republic of China,[77] Wahju Sukotjo wrote about Yugoslavia's worker's management council and socialist democracy in the magazine *Ekonomi*, while Mohammad Sadli and Subroto wrote about Yugoslavia's socialist economic system in the same magazine. R. Sardju Ismunandar and Soehardiman went on a study-trip to Yugoslavia, Czechoslovakia and Poland and wrote about the economic structure and state enterprises of the three countries in the magazine *Perusahaan Negara* in May 1961.[78]

75 Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia*, (Jakarta: LPEM, 1962).

76 Mohammad Sadli, "Masalah Penentuan Produksi dan Masalah Bentuk Perusahaan dalam Sistim Sosialisme Indonesia" in Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia*, (Jakarta: LPEM, 1962), p. 107-108.

77 Panglaykim, "Beberapa Aspek Struktur Management/Organisasi pada Beberapa Negara Sosialis" in Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia*, (Jakarta: LPEM, 1962), p. 126-296.

78 Sardju Ismunandar and Soehardiman, "Struktur Ekonomi dan Perusahan Negara di Jugoslavia, Czechoslovakia and Polandia" in Perusahaan Negara, no. 5, Year I, May 1960, p. 2-6.

Panglaykim's studies showed that even socialist states entertained possibilities for such capitalist forms as private enterprise. His study on Chinese and East German state capitalism explained it as a transitional phase that compromised its socialist ideals through the formation of public and private ownership of government companies. His discussion on the Soviet model of national planning occurred at a period after Khrushchev's proclamation of its sixth five-year plan (1956-1960), which focused on efficiency and the deference of greater managerial independence to regional bodies and companies.[79] Widjojo Nitisastro suggested an active import of Western ideas within the prism of socialism, by looking at what other socialist countries imported, such as input-output analysis and various programming techniques. "For the analysis of the problems of income distribution, the development of a variety of economic systems, and others, the direction is for the development of an economic science as a political economy, which can only be approached as an inter-disciplinary study amongst the present social sciences."[80] The Keynesian Harrod-Domar model of development which focused on savings and foreign investment as central to the push for economic growth was also studied.[81]

Papers written by some of the most important technocrats of the New Order showed their effort to integrate Western theories and socialist institutions into a harmonious system. Although Sadli claimed that the prime importance of the market was realized later on,[82] there were efforts to understand how other socialist countries used the market. The study of socialist institutions showed how socialist societies came to terms with the problems of distribution, pricing and incentives in ways that allowed them to mix Western models. For instance, the Polish use of the West German

79 Panglaykim, "Beberapa Aspek Struktur Management/Organisasi pada beberapa Negara Sosialis", p. 125-182.

80 Widjojo Nitisastro, "Beberapa Persoalan Harga", p. 102. "Untuk penelahaan persoalan pembagian pendapatan, perkembangan berbagai matjam sistim2 ekonomi dsb., arah jang ditempuh kiranja ialah pertumbuhan suatu ilmu ekonomi dalam arti political economy, jang hanja dapat disusun sebagai suatu usaha inter-disciplinary study diantara ilmu2 pengetahuan sosial jang ada."

81 Kaptin Adisumarto, "Scope and Limits of the Harrod-Domar Equilibrium Formula with respects to various Economic Models and their policy implications" in *Laporan Kongres Ilmu Pengetahuan Indonesia Kedua, 1962, Djilid ke-sembilan, Seksi E-3 (Ekonomi)*, (Bogor: Archipel, 1962), p. 209-232. The focus on domestic savings and foreign investment was central to the 1956-1960 Development Plan of the Planning Body (BPN).

82 Mohammad Sadli, "Recollection of My Career", p. 27.

consumption model showed that even within a relatively developed socialist economy, "markets and price mechanics still work and determine production volume."[83] Sadli and Soebroto attended a seminar on Marxism and Socialist Development in Belgrade from 5 to 22 September 1960 and commented on the Yugoslavian socialist system; "in the 1950s the basic policy of a state-led nationalist economy was changed. The Russian model was left behind because it was considered inefficient and unfit for Yugoslavian characteristics. Market and price-based stimuli were reintroduced."[84]

The role of private enterprises in various Communist countries was also discussed; in Russia "private enterprise is allowed to exist only in branches of production which can be operated as one-man industries."[85] Whereas in Poland, private enterprise "is given the widest latitude in the field of production to augment the available consumption goods, to open new fields of production which have never been developed before, to give employment to more people and to increase the prosperity of the country."[86] What were perhaps the most characteristics in the trope used by FEUI economists was the assumption that the Communist and capitalist world represented a difference in degree and not in kind and that the Communist world itself was composed of different countries with varying degrees of the institutional application of socialism within their economy. A better understanding of socialist societies helped to demystify their image and made way for less drastic action and more rational approaches, using Communist countries as examples.

The focus on studying East European socialism was encouraged by Mohammad Sadli and indicated the need for experts on the subject. Batara Simatupang, an assistant lecturer at the FEUI, was part of the second batch

83 Mohammad Sadli, "Masalah Penentuan Produksi dan Masalah Bentuk Perusahaan dalam Sistim Sosialisme Indonesia" in Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia*, (Jakarta: LPEM, 1962), p. 110.

84 Mohammad Sadli and Soebroto, "Tata Ekonomi Sosialis Jugoslavia" in *Ekonomi*, p. 84. "Dalam tahun 1950 dasar kebidjaksanaan negara untuk mengusahakan ekonomi nasional diubah. Model Russia ditinggalkan sebab dipandang tidak effisien dan tidak tjotjok dengan keadaan2 jang terdapat di Jugoslavia setjara chas. Sistim perangsang dikembalikan dengan pengunaan sistim pasar dan harga (bebas)."

85 Subroto, "The role of private enterprise in the framework of Indonesian socialism" in Johnson J. Rossel, Mohammad Sadli and Subroto (eds.), *Teachings in Business Administration and Economics*, (Jakarta: LPEM, 1961), p. 26.

86 *Ibid.*

of economics students from UI who, along with Emil Salim, was sent to study in the United States. Studying in Stanford under, among others, Paul Baran, Simatupang studied neo-Marxist ideas that were precursors to the dependency theory of the 1970s. There was thus recognition within the FEUI that socialist ideas on economic planning and development should be studied. Simatupang was then sent to Yugoslavia where he studied the country's Planning Board. Thereupon he went to Poland to pursue a PhD.[87]

Regional Development and the Military

The problems related to regional development were apparent to those researching on the integration of former rebel areas in places like Northern Sumatra. J.E. Ismael's visit to the area between October 1961 to February 1962 highlighted the enormous problems related to integrating national development planning with regional government capabilities. "In Indonesia the National Overall Development Plan has become a reality. Various projects will be built throughout the regions, some are not yet explicitly detailed, others will be built complementary to other projects. As a result the National Overall Development Plan functions as an index in the initial phase similar to Russia's Gosplan development plan, all of which in the end will form an 'integrated regional development plan'."[88] Mohammad Sadli said that "regional development was an 'ideological commitment' of socialism, at least within the socialism that was practiced in countries ruled by Communists."[89]

87 Batara Simatupang, *Otobiografi DR. Batara Simatupang*, (Jakarta: Del, 2012), p. 63-76. After the fall of the Guided Democracy, Simatupang was not allowed to return to Indonesia and immigrated to West Germany instead.

88 J.E. Ismael, "Beberapa Aspek Institusionil dalam Pembangunan Nasional dan Daerah" in *Laporan Kongres Ilmu Pengetahuan Indonesia Kedua, 1962, Djilid ke-sembilan, Seksi E-3 (Ekonomi)*, (Bogor: Archipel, 1962), p. 130. "Di Indonesia sekarang ini PPNSB sudah mendjadi kenjataan. Projek2 jang akan dibangun tersebar didaerah2, ada jang belum lengkap terperintji, dan ada pula jang perlu dikomplemenkan. Dengan demikian maka: PPNSB mendjalankan fungsi sebagai index dalam permulaan proses penjusunan rentjana pembangunan oleh Gosplan di Sovjet Rusia, atas dasar dan sekitar mana daerah menjusun rentjana pembangunannja, jang kesemuanja achirnja harus berwudjud mendjadi suatu "integrated regional development plan."

89 Mohammad Sadli, "Beberapa Segi Masalah Pembangunan Daerah di Indonesia" in *Laporan Kongres Ilmu Pengetahuan Indonesia Kedua, 1962, Djilid ke-sembilan, Seksi E-3 (Ekonomi)*, (Bogor: Archipel, 1962), p. 97. Pembangunan daerah djuga merupakan suatu "ideological commitment" dari sosialisme, setidak2nja sosialisme seperti jang diamalkan dalam negeri2 jang dewasa ini diperintah oleh kaum komunis."

There was a deep realization that economic problems in socialist society were a political-economy problem. The problem of justification within the acuteness of economic rationality of the economic model had to be solved. Mohammad Sadli asked the question: "to an economic expert the problem is a question of conscience (*gewetensvraag*), meaning does he need to find a 'justification' to all the deviation from resource allocation in accordance to pure economic consideration in a way that the decisions can be accounted for by an economic perspective? Or should he consider these deviations as an unwarranted but unavoidable aspect of his economy, as part of the social cost of economic development, as a necessary waste?"[90] The answer, according to Sadli, lay in the creation of a development leadership. Yet, instead of pointing the finger to the nascent managers, he pointed out the obvious leaders of the regions during the period: the military.[91]

> "The military men of the present have power over a wide area. Although they admit to the importance of regional development, they are often unable to collect the funds and forces needed to start this development. Even so, because they are the most powerful group at the present, their potential to play a role in development leadership is great. Of course, the mental capabilities and understanding, the tools and will-power must be attended to. At the moment and as was the case in the last couple of years, they occupy a dubious position. They are in charge of security but not in direct charge of welfare. But increasingly there has been greater awareness

90 Mohammad Sadli, "Beberapa Segi Masalah Pembangunan Daerah di Indonesia", p. 94. "Bagi seorang sardjana ekonomi masalah demikian merupakan suatu "gewetensvraag", artinja haruskah ia mentjari suatu "justification" untuk penjimpangan2 dari resource allocation menurut pertimbangan2 ekonomi jang murni sedemikian rupa sehingga achirnja keputusan2 ini dapat dipertanggung-djawabkan djuga dari segi ekonomi? Ataukah ia harus bersikap bahwa penjimpangan2 ini sebetulnja tidak dapat diharapkan kefaedahan ekonominja tetapi harus diterima sebagai bagian dari "social costs of economic development", jakni jang bersifat "waste" (tetapi "necessary waste")."

91 According to Mrazek, the year 1959 was an *annus mirabilis* whereby the military began to enter into the politics of various young states and, more importantly, when the academic community began to entertain the possibility of supporting military managers as modernizers. Rudolf Mrazek, *The United States and the Indonesian* military, p. 14. Peter Dale Scott put the year 1958 as an important year when new mandarins like Edward Lansdale and Guy Pauker started selling the military as a possible candidate for modernizers. Peter Dale Scott, "Exporting military-development", p. 210. Bradley Simpson put the year 1963 when military modernization theory became widely accepted in policy-making circles in Washington. Bradley Simpson, *Economists with guns*, p. 71-72.

amongst them that regional security cannot be separated from the welfare of the people and that this cannot be separated from economic development. Thus, lately they have been more responsible for the welfare and wealth of the region. Security is a complex issue and is not purely a military or police problem. If the problem of security has become such a complex issue then everyone is responsible for the general welfare; even in time of military law (SOB), it is not purely the responsibility of the military, as it is not purely the responsibility of civilian during peacetime. It requires a collective sense of responsibility, at least between the military and civilian groups on the matter of security, welfare and economic development. Does that mean that the military and civilian, the green and white shirts become pioneers of regional development? The concept of such leadership is autocratic and may not be effective in the long run, but such an autocratic approach may be strong enough to create a momentum to kick-start development.[92]"

The argument that military autocracy was necessary to regulate the immediate problems of the political economy was one that was openly expressed by economists during the period. Sadli's views were congenial to

92 Mohammad Sadli, "Beberapa Segi Masalah Pembangunan Daerah di Indonesia", p. 118-119. "Kaum militer dewasa ini sering mempunjai kekuasaan jang tersebar didaerah. Biarpun mereka ini mengakui pentingnja pembangunan daerah, namun sering merekapun merasa tidak mampu untuk menghimpun „funds and forces"untuk memelopori pembangunan ini. Biarpun demikian, djustru oleh karena golongan ini dewasa ini adalah jang paling berkuasa, maka potentiil merekalah jang paling mampu untuk memainkan peranan development leadership ini. Sudah tentu mentale instellingen, begripnja, peralatannja dan kemauannja harus dipupuk terus. Pada saat ini, serta djuga dibelakang hari, posisi mereka agak dubieus. Mereka bertanggung djawab atas keamanan, tetapi tidak langsung atas kemakmuran. Akan tetapi, lambat laun telah timbul suatu keinsjafan dikalangan mereka bahwa keamanan daerah tidak dapat dilepaskan dari kesedjahteraan rakjatnja, dan ini tidak dapat dipisahkan dari pembangunan ekonomi. Maka achir2nja merekapun merasa bertanggung djawab atas kesedjahteraan dan kemakmuran ini. Akan tetapi, dengan demikian maka soal keamanan mendjadi masalah jang komplex, tidak hanja berupa masalah militer atau polisionil. Kalau masalah keamanan mendjadi demikian komplexnja maka sebetulnja semua fihak bertanggung djawab terhadap masalah kesedjahteraan pada umumnja; dalam masa SOB-pun bukan fihak militer sadja, dan dalam masa damai bukan fihak sipil sadja. Ini memerlukan rasa tanggung-djawab kolektip, setidak2nja antara kaum militer dan kaum sipil terhadap masalah keamanan, kesedjahteraan dan pembangunan ekonomi. Apakah lalu kaum militer dan sipil ini, kaum badju hidjau dan badju putih bersama2 dapat mendjadi pelopor dalam pembangunan daerah? Konsep pimpinan demikian masih tetap otokratis dan mungkin tidak akan effektip untuk masa jang pandjang. Akan tetapi approach jang serba otokratis ini mungin tjukup kuat untuk menimbulkan suatu momentum untuk permulaan pembangunan."

the military elite; enough for Colonel Soewarto of the Seskoad, an old friend of Sadli from his Yogyakarta days, to invite him and his economic friends at FEUI to teach there.[93] They saw this as a rational answer to an intractable societal problem. Economic planning and military leadership, or at least military participation, had assumed large importance within the Guided Democracy state. It was not certain whether the extent of the contribution to corruption by military involvement was understood amongst economists. The reports of the Bapekan, for instance, may not have been public amongst intellectuals.

Importantly, the idea was not purely of military rule, but a rule between the green and white shirts. In connection to the earlier chapter on elite authority, what was assumed here was an extension of military authority to protect the managerial elite, at least in the initial phase in kick-starting economic development. Thus the regulation of regional planning by presidential decree no. 655/1961 recreated regional governance within a *Tjatur Tunggal* system that put the military regional commander on the pedestal of power, at least for the duration of the military emergency. The idea of civic action and development was thus very much intertwined. Ibrahim Adjie said this about the army's connection to development: "war is not the goal of the military, the goal of the military is to uphold the welfare and honour of the nation so as to be at level with the most advanced nations in the world."[94]

Where were the managers in this picture, then? Was there such a deep distrust in the capability of Indonesian management that some economists like Mohammad Sadli put their trust in the military men? Panglaykim's study of the Soviet system puts management in the hands of an eventual leadership. Although he refrained from speaking about the Indonesian condition, his discussion on the managerial societies pointed to a real understanding of the discussion on managerial power as was first described by James Burnham in *The Managerial Revolution.*[95] In discussing the Soviet managerial elite, Panglaykim noted two distinct generations, a politicized managerial elite-what Joseph Berliner called the "Red Directors", who obtained their position through their political affiliation and role during the revolution and a new,

93 Mohammad Sadli, "Mohammad Sadli" in *Recollections*, p. 125

94 Ibrahim Adjie, "TNI dan Civic Mission" in *Manager*, Year IV, no. 37, April 1963, p. 13

95 James Burnham, *The Managerial Revolution*.

educated elite who were products of the new education system and had a professional attitude toward management. "In my viewpoint, the executives that were trained during the revolution and those that have obtained formal education are very different. Those that obtained formal education are educated to put their energy and mind in the interest of the state and are interested in creating the largest industrial nation on earth. With an education, this is a very worthwhile corps."[96]

Communist Views

The international context of the Cold War was understood clearly by both military-leaning and PKI-leaning economists and intellectuals. PKI sympathizers like Carmel Budiardjo and J.B.A.F. Major Polak, a former PSI-member politician, discussed openly the Cold War front and the dangers of Kennedy's shift of emphasis on politicized foreign aid and his obsession with guerilla warfare as explained by Stewart Alsop.[97] The threat of the Bretton Woods institutions and the Alliance for Progress was voiced after the IMF-influenced *Deklarasi Ekonomi* in 1963. Aidit warned about the dangers of American neo-colonialism through aid and pointed to the case of Brazil.[98] In an article in the Communist newspaper, *Harian Rakjat*, he commented on the statement "the philosophy of imperialism is pragmatism", that "Pragmatism is always praised as a 'practical' philosophy and that the 'practicality' of pragmatism has an evil but practical role for the imperialist."[99]

96 Panglaykim, "Beberapa Aspek Struktur Management/Organisasi pada beberapa Negara Sosialis", p. 173. "Menurut pandangan kami memang berbeda sekali para eksekutif jang telah dilatih pada masa revolusi dan mereka jang telah memperoleh pendidikan (172) formil. Mereka jang memperoleh pendidikan formil memang terdidik untuk mentjurahkan tenaga dan fikiran bagi kepentingan negara dan berkehendak mentjiptakan suatu negara industri jang terbesar didunia. Dengan modal pendidikan, mereka merupakan suatu corps jang berharga sekali."

97 J.B.A.F. Major Polak, "Pembahasan Atas Prasaran ke-II", in *Untuk Pelaksanaan Dekon. Hasil-hasil Seminar Ekonomi jang diselenggarakan oleh Lembaga Ilmu Ekonomi HSI*, (Jakarta: Departemen Urusan Research Nasional, 1964), p. 174-192.

98 Harian Rakjat, 29 January 1963.

99 Harian Rakjat, 27 March 1963. "Filsafat imperialis adalah pragmatisme, jaitu filsafat jg mengukur segala sesuatu dari sudut apakah akan membawa keuntungan2 bagi saja atau tidak." Pragmatisme selalu dipudji2 sebagai suatu filsafat jang 'praktis' dan ternjata bahwa sifat 'kepraktisan' dari pragmatisme memang mempunjai peranan jang djahat tetapi praktis benar bagi kaum imperialis sendiri."

This was an attack against what he saw as Indonesia's appeasement toward the IMF and its rehabilitation program.

The shift toward experts during the late-period Guided Democracy highlighted a period of intellectual feuding between American-trained economists and PKI-affiliated economists. Mohammad Sadli commented, "Within FEUI there was a political struggle with Carmel Budiardjo and other leftwingers in the Faculty."[100] The Himpunan Sardjana Indonesia (HSI) or Indonesian Intellectual Community became a contender for the LPEM, publishing works which focused on the dangers of American intervention and included intellectuals like F. Runturambi from Sobsi, Professor Ernst Utrecht and Drs. Soerjadi, Minister for Budget Affairs.

An examination of Aidit's speeches and paper on the Dekon and the economy in general provides a picture of the position of Communist ideas vis-à-vis those of the experts who were trained in the US. It was all about the application of what they termed a production policy against monetary stabilization advocated by FEUI economists.[101] There was no doubt an intense dislike of these expert economists by the Communists. "It has occurred for a long while that Indonesian economics experts took on a position of ignorance toward political issues and tried to present the problems of the economy as merely a technical matter, with laws that 'are assumed to apply for all ages', stemming from a subjective viewpoint and ignore the objective reality that exists within society."[102] The criticism of the assumption of objectivity was meant to support the viewpoint that economic policy-making should be derivative of the political process and the national goal of *Revolusi*. "The viewpoint that socialism can be implemented without first dealing with the

100 Mohammad Sadli, "Recollection of my Career" in *Bulletin of Indonesian Economic Studies*, Vol. 29, No. 1, April, 1993, p. 38-39.

101 According to CLM Penders and Ulf Sundhausen, *Abdul Haris Nasution,* p. 164, "the PKI had nothing to gain from an improvement of the living conditions of the masses; it would have diminished its opportunity to mobilize them for its purposes and, moreover, would have brought back the "PSI-leaning" technocrats into positions of economic power." Even if it were so, it would seem too hasty to dismiss communist ideas on economic development.

102 D.N. Aidit, *Pemetjahan masalah ekonomi dan ilmu ekonomi Indonesia dewasa ini*, (Jakarta: Jajasan Pembaruan, 1964), p. 4. "Sudah terlalu lama kaum sardjana ekonomi Indonesia pada umumnja mengambil sikap masa-bodoh terhadap masalah politik dan berusaha membahas masalah ekonomi sebagai masalah jang bersifat teknis melulu, dengan hukum-hukum 'jang berlaku untuk semua zaman' jang bertolak dari pandangan-pandangan subjektif dan mengabaikan kenjataan objektif jang hidup didalam masjarakat."

national-democratic effort, i.e. the ending of the residues of imperialism and feudalism, is intolerable."[103]

The ending of imperialism and feudalism was propounded in the support of the Communists for two laws introduced in 1960: the Regulation on the Agremeent of Joint Sharing (*Undang-undang Perdjandjian Bagi Hasil* – UUPBH) and the Regulation on Basic Agrarian Principles (*Undang-undang Peraturan Dasar Pokok Agraria* – UUPA). According to Communist interpretation, the UUPBH would disallow direct foreign investments by diverting it to joint sharing projects. This was a victory against imperialism by limiting the roles of foreign enterprises in the country. The continued nationalization of British and American-owned enterprises during the period 1963-1965 was also part of this anti-imperial strategy. The UUPA would destroy what was called the landlord class of the agricultural community though the redistribution of land. Land-reform was the anti-feudal strategy.

The clash of 'Western' versus Communist economists lay in these strategies. Aidit accused Sumitro of siding with imperialists and feudalists by blaming Indonesian poverty on the lack of savings by the population. This was part of the reigning Harrod-Domar model which saw the root of the cycle of poverty as a result of the subsistent nature of the economy and the lack of reinvestment to increase production, i.e. growth occurs when the rate of savings is greater than the capital output ratio and the growth of the labour force.[104] The answer they propounded was through an injection of capital by direct foreign investment or loans and the provision of incentives for Indonesians to start saving their income.

It was an analysis that according to Communists lacked a social component and misunderstood the nature of Indonesian rural society. According to them the reason for the lack of savings lay not in the lack of propensity to save by the Indonesian farmers and labourers, but the result of the rent-seeking activities of bureaucratic capitalists, foreign enterprise owners and landlords in the villages. The main criticism against Western-educated

103 D.N. Aidit, *Pemetjahan masalah ekonomi dan ilmu ekonomi Indonesia dewasa ini*, (Jakarta: Jajasan Pembaruan, 1964), p. 6. "tidak dapat ditolerir lagi pendapat bahwa sosialisme bias diselenggarakan tanpa menjelesaikan lebih dahulu perdjuangan nasional-demokratis, jaitu tanpa menghabis-tamatkan lebih dahulu sisa-sisa imperialisme dan feodalisme."

104 Robert M. Solow, "Growth theory and after" in *The American Economic Review*, Vol. 78, No. 3 (Jun., 1988), p. 307-317. Solow's work contributed to the theory by putting in technology as a factor that pushes productivity growth in a work he published in 1957.

economists was that they harboured non-political assumptions. "The most significant contributor to this evil analysis is Sumitro, a person who is famous and well known to be rebellious and traitorous to the Republic, but whose equally traitorous and heinous economic theories have not yet been properly disrobed and are given an important place in our universities and still colour the thinking of the officers that man our economic policy apparatuses."[105]

The PKI always had an ambiguous position in relation to experts and intellectuals. In many Communist movements outside of Indonesia, the intellectuals represented a major part of the Communist movement, yet in Indonesia this was not the case. The lack of expertise in the nation meant that the vast majority of university graduates had an almost assured position in government jobs and there was no pool of unemployed intellectuals.[106] In the early 1950s, the Communists still regarded intellectuals as an important part of the movement, but aside from Lekra-an artist and writer's organization-there was no prominent intellectual organization within the PKI. The attack on intellectuals was accentuated by the conservative nature and 'reactionary' position taken by non-political Indonesian economists. As a result, the PKI supported a non-expert, participatory approach toward economic problems. The failure of the rehabilitation program known as the May Regulation supported this idea "… this signified the triumph of the Indonesian people, because for the first time our people can directly and actively determine government policy on economic matters, a field that has for long been considered to be beyond the ken of the people, a field that was said can only be thought and discussed by certain experts, whose expertise has failed us in dealing with the economic and monetary issues at hand."[107]

105 D.N. Aidit, *Pemetjahan masalah ekonomi dan ilmu ekonomi Indonesia dewasa ini*, (Jakarta: Jajasan Pembaruan, 1964), p. 12. "jang paling 'berdjasa' dalam menjebarkan analisa jang djahat ini jalah Sumitro, seseorang jang sudah terkenal dan sudah telandjang bulat sebagai pemberontak dan pengchianat terhadap Republik, tetapi jang teori-teori ekonominja jang sama chianat dan sama djahatnja belum tjukup ditelandjangi, masih mendapat tempat dalam perguruan-perguruan tinggi kita dan masih mendjiwai pegawai-pegawai tinggi dalam aparatur ekonomi kita."

106 Donald Hindley, *The Communist Party of Indonesia, 1951-1961*, (Berkeley: University of California Press, 1964), p. 183-184.

107 D.N. Aidit, *Dekon dalam udjian*, (Jakarta: Jajasan Pembaruan, 1963), p. 8. "…ini menggambarkan suatu kemenangan bagi Rakjat Indonesia, karena dengan ini berarti bahwa untuk pertama kalinja Rakjat kita setjara langsung dan aktif ikut menjusun politik Pemerintah dibidang ekonomi, jaitu sudatu bidang jang selama ini dianggap sebagai bidang terlarang untuk Rakjat, suatu bidang jang katanja hanja dapat difikirkan dan

Aidit conducted studies on the rural condition of Indonesia and attacked Western-trained economists for their misunderstanding of the real conditions of the rural areas. 250 local Communist leaders and mass organizations put into the field 3000 'researchers' (*petugas*) between the months of February and May 1964 to conduct research on the rural condition in 124 districts (*kecamatan*) in Java. The research came up with seven archetypes of rural class enemies, the so-called seven village devils (*setan desa*).[108] They included landlords and money-lenders, but also local notables and capitalist bureaucrats. The research group saw a feudal rural structure composed of notables and bureaucrats and proposed a thorough application of retooling in order to rid the bureaucracy of 'evil elements' and the implementation of land redistribution, which until then had been sabotaged through the machination of landlords in cooperation with officials. Social scientists who obtained the research material of the Communists after the destruction of the PKI in 1965 were amazed at the sophistication of the social research of the party.[109]

The PKI was quite supportive of the local capitalist class and was especially protective of the Chinese business community.[110] Aidit has stressed that support for national capitalists had always been an important component of Communist policies, starting from the Sixth National Congress in 1959.[111] Aside from their support of national capitalist, they also supported private ownership of the land. Thus, hostility for the Indonesian entrepreneurship did not come from the PKI.[112] Instead of focusing on control, some Communist economists, like Runturambi, called for an expansion of participation. Even

diperbintjangkan oleh tenaga-tenaga ahli tertentu jang sudah terbukti sama sekali tidak berhasil mengatasi kesulitan-kesulitan ekonomi dan keuangan selama ini."

108 Tuan tanah, lintah darat, tukang idjon, tengkulak djahat, kapitalis birokrat, penguasa djahat and village bandits. The Communist's rural offensive started in 1963 contributed to serious conflict that was important to understand the scale of violence inflicted upon their members during the 1965-1966 Communist killings. John Bresnan, *Managing Indonesia,* p. 19-20, Guy Pauker, "Political Consequences of Rural Development Programs in Indonesia" in *Pacific Affairs*, Vol. 41, no. 3, Autumn, 1968, p. 386-402.

109 Ruth McVey, "Teaching modernity. The PKI as an educational institution" in *Indonesia*, no. 50, Oct. 1999, p. 5-27. For more on the research, read D.N. Aidit, *Kaum Tani Mengganjang Setan2 Desa*, (Jakarta: Pembaroean, 1964).

110 D.N. Aidit, *Kibarkan Tinggi Pandji Revolusi*, (Jakarta: Jajasan Pembaruan, 1964), p. 22-23.

111 D.N. Aidit, *Dekon dalam udjian*, (Jakarta: Jajasan Pembangunan, 1963), p. 24-28.

112 Benjamin Higgins, "Introduction" in Benjamin Higgins (ed.), *Entrepreneurship and Labor Skills in Indonesian Economic Development: a Symposium*, p. 35.

population control was considered a bad thing. "Neo-Malthusian officials and theoreticians who always blame the people for having too many children, so as not to allow enough production of food stuff, need to understand the basic economic strategy according Dekon".[113]

The idea of production policy thus belittles the problems of inflation and the monetary approach. Keynesianism was the target of recrimination for both Sukarno and the Communists. Yet, the attacks on Western-educated experts like Sumitro Djojohadikusumo had a strawman quality. Carmel Budiardjo's idea on fair practices for small agricultural producers and better access to capital and foreign-markets,[114] was not received particularly harshly by people like Widjojo Nitisastro, who had also focused much on small agricultural producers.[115] As Runturambi of the Communist-affiliated labour union organization[116] said "… the believers in these economic theories ruminate night and day to find a 'new theory' that is not Russian, not Chinese, not totalitarian and with the formulas commonly used by anti-Communist and Anti-Nasakom lecturers within and outside the country. When they find it too hard to call their theories socialist, they use the American term "people's capitalism."[117] That economic policy means nothing

113 Runturambi, "Potensi Ekonomi dan Kekuatan Politik sebagai Landasan Pelaksanaan Deklarasi Ekonomi" in *Untuk Pelaksanaan Dekon. Hasil-hasil Seminar Ekonomi jang diselenggarakan oleh Lembaga Ilmu Ekonomi HSI*, p. 40. "Pedjabat2 atau teoritikus2 neo-Malthusianis jang selalu menjalahkan Rakjat jang katanja terlalu banjak melahirkan anak sehingga produksi sandang pangan tidak tjukup untuk memenuhi kebutuhan Rakjat, perlu menjadari akan strategi dasar ekonomi menurut Dekon."

114 Carmel Budiardjo, "Perdagangan Luar Negeri: Segi Dalam Negeri (Produksi dan Marketing) dan Segi Luar Negeri (Neratja Pembajaran)" in *Untuk Pelaksanaan Dekon. Hasil-hasil Seminar Ekonomi jang diselenggarakan oleh Lembaga Ilmu Ekonomi HSI*, (Jakarta: Departemen Urusan Research Nasional, 1964), p. 71-101.

115 What is now termed as "pro-poor" policy focused much on rural agricultural development, an important component for the success of New Order development. Jan Kees van Donge, David Henley and Peter Lewis, "Tracking development in Southeast Asia and Sub-Saharan Africa: the primacy of policy" in *Development Policy Review*, vol. 30, s.1, February 2012, p. 12-16.

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117 Runturambi, "Potensi Ekonomi dan Kekuatan Politik Sebagai Landasan Pelaksanaan Deklarasi Ekonomi", p. 29. "Apalagi kalau penganu teori ekonomi itu seperti siang dan malam hanja berfikir bagiamana bisa menemukan 'teori baru' jang bukan Rusia, bukan RRT, bukan totaliter dan matjam2 rumus jang lazim digunakan oleh lektur anti komunis dan anti Nasakom didalam dan diluar negeri. Malahan kalau sudah terlalu sulit memalsu sosialisme dan terpaksa harus menggunakan istilah kapitalisme dipilihlah istilah 'kapitalisme kerakjatan' model Amerika Serikat."

without political control was understood by both sides; Runturambi's article was titled "Economic potential and political power as the foundation for the implementation of the Dekon." Along with the belief in an agricultural approach to development it represented ideas that were held across the board. The struggle was mainly a political struggle of authority and legitimacy rather than that of basic economic theory.

The major difference of opinion was related to the idea of the 'people.' The Communists were very much attuned to see the people as an important component in development. It was, of course, much easier for Communists to hype the people's participation when the Comunists had no real power. One might wonder how long such sentiments would have lasted once the Communist had gained control of the managerial component of government. Attacking 'theoreticians' and their 'reactionary Malthusian beliefs' signaled however strong disagreement on some points. Population was thus conjoined to national power and so was the quasi-attack against 'mismanagement', another *toverwoord* (magic word) this time used to attack the other side.

It is of interest that not much Communist writing actually engaged with national planning and other aspects of Communist governments of Eastern Europe or China. The relationship with the outside world was much more confined to the fear of an American hegemony fraught with the dangers of empire. This duality between the masses and manager figured large in the period in which Wertheim has called a period of evolution and revolution, between control and emancipation.[118] The idea of participation required a deep faith in the ability of emancipated people to work with one another, as deep as the economists' the faith in the market.

There is a problem of what one may term nowadays as moral hazard in the state-society ideas of both Communist and 'Western-educated' economists and this was quite apparent in the taxation system. The system had not gone through significant revamp since the early 1950s. The largest component of taxation during the period was levied initially on export (43% of total tax revenue in 1952) and after the Korean War boom, on imports (up to 51% in 1956 when export tax shrank to just 3%). Since the colonial period, the economic sector was divided between the capital intensive and the labour-intensive sectors, which traditionally denoted racial ownership.

118 Wertheim, W.F., *Evolution and Revolution. The Rising Waves of Emancipation*, (Harmonsworth: Penguin, 1974), p. 35-60.

During the colonial period, the labour-intensive sector contributed to 43% of total taxation in 1929 just before the Great Depression and it went down to 40% by 1939 and further to just 36% by 1952. Because of structural retrogression, the labour-intensive sector of the economy had grown from 68% of total gross product in 1939 to 76% in 1952. Yet in the same year, the capital-intensive sector, which made up to 24% of the total gross product provided 64% of the total tax revenue. If export taxes were included, taxation pumped out 22% of income in the capital-intensive sector in comparison to only 4% in the labour-intensive sector. According to Paauw's analysis, the average take-home pay of worker in the urban capital-intensive sector got less than that of the rural labour-intensive sector.[119]

No doubt, part of the answer lay in the difficulty of taxing the informal sector especially in rural areas, a phenomenon that continues today. One of the most significant tax policies of the colonial period, the land tax, was discontinued because of its association with colonial oppression.[120] The deterioration of bureaucratic capability also contributed, but during the entire period, there had been almost no voice that placed greater taxation on the common people, *the rakyat*.

In Sukarno's paternalistic view, the people would be guided and sustained by the state. Although the slogan of Guided Democracy included together the 'funds and forces' of the people, there had been few efforts to actually collect them other than the Bamunas's attempt to pilfer from the nascent 'capitalist class.' Like the absence of decentralization in the bureaucracy, the protection of the people from taxation constituted a moral hazard that reduced the incentive of the wider society to support the success of the system. The Communists' effort to bring expanded participation did not provide incentive to create a personal sense of participation. In the meantime, the 'Western-educated' economists adopted a paternalistic attitude that saw the masses as an almost inanimate object to be guided by the wisdom of the technocrats. In that sense, it could be argued that both approaches took on a paternalistic attitude that saw the people as peons instead of legitimate, participating individuals.

119 Douglas Paauw, *Financing Economic Development*, p. 200-227.

120 Sa Myung Park, *The State, Revolution and Development: A Comparative Study of the Transformation of the State in Indonesia and the Philippines*, (PhD Dissertation State University of New York, Buffalo, 1988), p. 133.

Conclusion

The series of institutional reforms that was conducted throughout the Guided Democracy state resulted in several significant developments. First, the failure of corporatism to conduct national planning as exemplified by the Depernas pushed for the inclusion of experts and managers with the authority of managing national and regional policies. Second, Bappenas-Baperdep-Bakopda structure allowed for the potential of greater centralized control. The Bakopda conforming to the Tjatur Tunggal structure meant that regional government was finally recreated within the authority of regional planning agencies in which the managers; military and civilian were able to take part. Instead of decentralization, the New Order state did away with regional democracy and regional government. It instituted a form of national and regional military control with the cooperation of both the *pamongpradja* and managers.

From the early 1960s, Western-trained economists put their sights into studying and understanding the institutional development of socialist institutions in Communist countries. Their goal was to create a socialist model by using the examples available in various Communist countries that would allow for some inclusion of market mechanisms, market incentives, decentralization, de-concentration and the general reduction of state intervention in the economy. The PKI attacked their focus on the problems of inflation and the usage of monetary and fiscal policies as being part of a larger Western conspiracy to derail the Revolution. The monetary policy was considered to merely support the corruption of the capitalist bureaucrats, the term used to attack managers, especially military managers. Instead, the Communists advocated greater inclusion of workers in what they called a production policy.

Kees van Donge, Henley and Lewis proposed that the success of the Southeast Asian economic policy during the second half of the twentieth century lay in macro-economic stabilization, pro-poor policies on the rural poor and economic liberalization.[121] Two of these policies at least were promoted by the two approaches of the FEUI economists and the Communists. The difference between the two approaches lay in the

121 Jan Kees van Donge, David Henley and Peter Lewis, "Tracking development in Southeast Asia and Sub-Saharan Africa: the primacy of policy" in *Development Policy Review*, Vol. 30, No. 1, (February, 2012), p. 5-24.

matter of authority and participation. Western-trained economists saw the importance in reducing the participation of the 'people' and handing over authority toward the experts, especially the military managers of the country. Communists believed that the problems of the country could only be solved if workers, farmers and other parts of the people could be pushed to work through expanding their participation and authority to all sorts of productive units. These institutional and theoretical developments during this period were seminal for the New Order state but led to great confusion.

Conclusion

According to Benedict Anderson's seminal article, 'Old State-New Society', the roots of the New Order regime should be located in the modern colonial state that emerged in the nineteenth century. Anderson argues that after the demise of the colonial state in 1942, a process occurred that he terms 'society entering into the state'. This dilution of the greater society into the state resulted in the fragmentation of bureaucracy and weakening of the state's efficacy. The rise of the New Order in the 1960s was predicated on the need for the state to reconstitute its efficacy and to regain control from and, indeed, over society at large. Anderson puts the burden for the recreation of the state on the army and the military regime that came to prop up the New Order state. As discussed in this study, the binary of state and society may well be compared with that of professionals versus non-professionals. While Anderson emphasizes the continuity of the colonial state, I argue that contextual changes such as the emergence of new ideologies and a new international institutional framework played an even more important role in the reinstitution of the state.[1]

This thesis argues that the New Order state originated from the relatively interconnected, coherent, and global institutional framework that emerged in the postwar era. This framework allowed for the reinstitution of the state and was supported by both parties involved in the Cold War, because the post-colonial world order was fashioned on a platform of relationships among sovereign states. The fall of the colonial regimes and their bureaucratic order

1 Benedict Anderson, "Old State, New Society: Indonesia's New Order in Comparative Perspectives" in *The Journal of Asian Studies*, Vol. 42, no. 3, (May, 1983), pp. 477-496.

raised the problem of legitimacy of the successor state and its more or less refashioned bureaucratic apparatus. How were these new states—successors to old colonial entities whose authority had completely collapsed—to reconstitute their legitimacy and authority? While Anderson assigns the praetorian army the leading part in this process, I argue that the legitimacy of the New Order state, as a praetorian order, was predicated as well on a combination of institutional and ideological developments outside of the military sphere. If we seek to understand the rise of the New Order, it is important to understand what institutions and ideologies sustained it. This thesis argues that the roots of the New Order regime should be sought in the 1950s and early 1960s, rather than in the discredited colonial state. Over the years, an institutional order was created that allowed for the creation of a new state elite legitimated by the ideologies and discourses on efficiency, development and modernity, which offered new ways for mass control by both military means and social engineering while seeking to create society in its image. It is important to realize the extent of complicity between Sukarno and the Guided Democracy regime. In a way, these politicians (that is, the leaders of society) paved the way to their own destruction.

Chapter one discusses the rise of two ideologies of state-society relations: that of Sukarno, whose Nasakom ideas embodied the opening up of the state to society, and that those of the managers, who emphasized the control of the masses as model for an efficient state. Sukarno's ideas were corporatist and entailed the participation of various groups in society. In order to put his ideology into practice, he had to discredit the remnants of the colonial state as well as the legitimacy of policy-makers whose authority was based on the technical capabilities of the so-called experts. This was made easier both by the lack of Indonesian experts and the fact that the policy making bodies—especially the national planning agency—often were under control of foreigners, technical experts who were sent and paid for by American aid agencies or the United Nations. Sukarno's criticism of Sumitro Djojohadikusumo, one of the few professional Indonesian economists responsible for importing foreign experts, was basically an attack against what he called *liberalism*. Ironically, most of these experts were Fabian socialists and Keynesians who saw the state as the principle actor in the process of development. Against Sukarno's fulminations, the economists and other social scientists developed a counter-discourse based on the idea of control of the population. They regarded the masses as a wild river that had to be

channelled to be harnessed. Various means of control were discussed in seminars and these strategies would eventually be tried on the population during the New Order. The hostility of Sukarno and other political power groups such as the PKI, forced the social scientists to gravitate toward the army. In the 1950s, Sumitro and other economists did not yet see the army as a significant agent of development, but by the end of the Guided Democracy era their focus had changed completely and social scientists viewed the army as having a central role.

The rise of the army from a fragmented, ideologically diverse group into a praetorian support for the state constitutes the main theme of the second chapter. The discussion focuses on two issues: the development of officer education and the development of the army doctrine of dual function (*dwifungsi*). As said, officer education was quite dependent on foreign aid, Dutch, initially, but soon American. Numerous Indonesian officers were sent to the United States for military training and were exposed to modernization ideas that were on offer as part of the curriculum there. Modernization theory put forth the proposition that the armed forces were the natural and rational choice to play a prominent role in economic development and in the transition from traditional to modern society.

By the end of the 1950s, the Seskoad copied Fort Leavenworth's curriculum, with its heavy emphasis on social science. Within Seskoad's various doctrinal seminars, the territorial doctrine and the civic action doctrine were discussed and eventually implemented. Both doctrines supported army control of the rural areas by becoming part of the regional government and conducting local economic development. The experiences of the Siliwangi Division in civic action as part of the counterinsurgency strategy to deal with separatists functioned to link development with security strategies. US assistance in civic action strengthened the appeal by providing assistance to the military for rural control. Without doubt this basic blueprint for the control of the rural or regional areas by military commanders during the New Order was developed under the Guided Democracy regime.

Meanwhile, American support for training counterinsurgency units at the end of the 1950s and early 1960s divided the army officers. The rise of various strike forces within the military provided the state a means to strike simultaneously at distant places in Indonesia's vast territory. Both the territorial and strike forces represented different ways by which the state was

able to maintain the unity and structure of the state. What was significant was the level of attention given to control. In various army discussions, the enemies of the state seemed to figure at every level in society. This implied that the army should develop for itself the necessary institutional and doctrinaire legitimacy to put both the regions and rural areas under its control. Society was divided into sections that asked for different strategies of control. It was a meticulously developed process that seems to have anticipated the needs of the New Order state that was to come.

As the army honed its capabilities, the development of the civilian side of the state during the 1950s was no less important. These issues are discussed in chapters three and four of the thesis. Both chapters show the connection between the ideologies of modernization and *managerialism*,[2] with the institutions of national planning, higher education, the production of expert elites or managers, and the creation of a new ideological state-society relation embodied in the socialist or developmental state. This new ideology made short shrift of the liberal state with its emphasis on individual rights, the separation of powers, and respect for the rule of law.

Chapter three discusses two issues. The first is the problem of expert or managerial production during the early 1950s. At the outset this was conducted through importing expertise. The effort to import European expertise through the PUTABA scheme failed miserably. The selection of experts as policy-makers in the State Planning Bureau and various financial institutions was conducted with the assistance of the UNTAA. Sumitro Djojohadikusumo went himself to New York to call in this assistance. The home-grown production of experts was ensured by the expansion of the national university network. Many of the foreign experts sent to Indonesia were also asked to give lectures in the main universities. The now rapidly developing Indonesian universities cooperated with American universities through programmes that invited American lecturers to teach in Indonesian universities and sent Indonesian lecturers to American universities to obtain postgraduate education. A curricular transformation was obtained as Dutch academic practices were replaced with American ones and English replaced Dutch as the primary foreign language for educational purposes.

2 Willards Enteman, *Managerialism. The Emergence of a New Ideology* (Madison: University of Wisconsin Press, 1993).

The import of policy-making experts created what one of them, Benjamin Higgins, called a community of scholars. Anglo-Saxon scholars in major American universities studied the Indonesian problem, contributed to the first Five Year Plan published in 1956, and actively wrote economic and developmental regulations. The influx of these experts into the State Planning Bureau and the universities was important for several reasons. First of all, Sukarno was appalled by their perceived power and saw them as agents of neocolonialism, in other words they posed a threat to his policies. Second, they provided opportunities for young Indonesian scholars to study abroad in the United States and thus played a seminal role for the production of Indonesia's technocracy. Sumitro Djojohadikusumo, an institutional builder par-excellence figured large in all this. Not surprisingly, Sukarno vilified him as a typical representative of the hated liberalism. Yet, what the community of scholars achieved was the import of the ideas on American modernization. Aside from army officers, the experts and their technical and managerial capability embodied the rational spirit needed to push Indonesian society towards modernity.

Aside from experts, the rise of the managers was also an important development of the 1950s. This is the main topic of the fourth chapter. The failure of the first industrialization plan refocused the problem on increasing the managerial capability of the Indonesian bureaucracy and the wider economy. This was conducted through the import of public administration and business management from America. In 1954, funded by the Ford Foundation, the Cornell public administration specialists Edward Litchfeld and Alan C. Rankin went on a study trip to Indonesia at the invitation of the prime minister. As a result of their report, a series of development programmes was implemented in order to develop the production of public administration specialists. In 1958, the Harvard business management specialists Lynton Caldwell and Howard Timms were sent to Indonesia to assess the condition of both business and public management. When by the end of 1959 practically all Dutch-owned companies had been nationalized, there arose a sudden demand for managerial jobs in the now government-owned companies. This consequently resulted in a dramatic expansion of business management courses for prospective Indonesian managers. The wave of Indonesian and translated management literature that appeared in this period bears witness to these stormy developments.

The rise of managers and management as leading forces in society clashed with the state institutions that were based on liberal principles of the separation of powers and the rule of law. Ernst Utrecht's criticism of scientific management at the time throws light on the latent conflict that existed between the legal approach and the managerial approach. Sukarno's Guided Democracy stated that it was doing away with the *triaspolitica*. Although all this was done out of intense dislike of individualism and as a criticism of Western liberal values, if not through Marxist criticism of inherent class bias in the law, it did not really conflict with the ideological framework being developed by the experts during this period.

Modernization theory and scientific management turned the expert/manager into a rational leader focused on development and brought about a shift away from liberal forms of state-society relations. Although the Guided Democracy experimented with corporatist forms, its modern outlook was consistent with modernization and managerialist theories. It appealed to rationality, planning and, later on, expertise. The dual nature of the Guided Democracy regime therefore resulted in increasing friction between what can be termed a participatory corporatism and the managerialist approach.

The last three chapters of the thesis discuss the friction between these two approaches during the era of Guided Democracy. Chapter five discusses the effort to implement a non-professional approach to national planning, its failure and the creation of an alternative, centralized planning apparatus with a reach much greater than the State Planning Bureau of the 1950s. The National Planning Board, or Depernas, was composed of representatives of various work or *karya* organizations. With almost no professional economists, the Depernas created an Eight Year Overall Development Plan. The plan covered not only economic, but also social, cultural, and political issues. The failure of the Eight Year Plan spelled doom for the participatory approach. Efforts to open up the state to participation had failed and, by 1962, there was a move back toward centralization. The replacement of the Depernas with the Bappenas in 1963 symbolized this move. The organizational set up for the Bappenas envisioned a stronger and more centralized planning bureaucracy tied with regional military and civilian government and various government ministries. Integration occurred thus within state bureaucracy under the authority of the planners.

At the same time, the efforts to expand Indonesian expertise during the 1950s began to bear fruit in the early 1960s as many economists and social scientists began to return from their higher education abroad. By 1963, not a few had already obtained important positions in government and academia. The control of the military over the higher education sector and the takeover by experts of important national research bodies such as the Leknas at the MIPI opened up channels of communication between educated army officers and returning social scientists. Efforts by the Communists to obtain a foothold in higher education showed how highly they also valued the control of the universities and their function as an elite generating institutions for the state. Sadly for them, this participatory approach misfired.

Chapter six discusses the further implementation of control through strategies developed within the social sciences imported since the 1950s. The general strategy split into the effort to control the masses through a social engineering strategy tied to the nation-building project and the effort to gain control of the civil service through indoctrination and retooling. The emphasis laid by contemporary social scientists in general, and public administration specialists in particular, on the core traditional values of Indonesian society bore witness to both the nation-building needs of Indonesia and the need of the state to recreate the ideal type of the Indonesian man who would support development. The reification of these supposed core village values meant putting a check on the modernity of the managers and imposing communal, corporatist, and traditional cultural norms on the rest of the population. It divided the Indonesian population into two camps of modern and rational versus traditional and conservative attitudes. Modern man was inherently individualist and both the politicians and the managers rejected such attitudes.

At the same time, Indonesia witnessed a dramatic expansion of managerial positions in both the bureaucracy and state enterprises. A proliferation of managerial courses could only partly provide for management of the nationalized, formerly Dutch-owned companies, and therefore many army officers were recruited as managers of the new state-owned companies. A manager culture developed in the courses and newly established professional magazines. Army-published magazines, like *Territorial*, ran managerial articles, while professional management magazines often published articles written by army managers, including the generals A. H. Nasution and

Ibrahim Adjie. Thus both civilian and army managers often shared the same office, took the same courses and read and contributed to the same professional magazines. Many army officers sought to widen and upgrade their education in economics, management sciences, or social sciences. Some of them even published their ideas on state-society relations, ideas that in many respects mirrored those of the managerial state.

The expansion and consolidation of managers of the state and the state-owned economy strengthened the duality between the state and society. The last chapter discusses the rise of the new generation of economists, the intellectual heirs to Sumitro Djojohadikusumo. The authority and legitimacy of this new elite was founded on the modern discourse of management and development; but at the same time, its members faced the challenge to come to terms with the problems of 'liberalism', market forces, and the opening of the Indonesian economy. Many of these economists would continue to play a significant role in the New Order as part of a technocratic group that determined the economic and social policies of the state. Working alongside IMF economists in 1963, some of them would try to develop a credible recovery plan for the first time, focusing on inflation control. From 1962 onwards, the economy of Indonesia was hit by a succession of severe crises. Inflation ran wild and state revenue grew increasingly dependent on taxation and foreign credit, something very different from the colonial state, which had depended on the mining and plantation economy. Nationalization and the failure to curb inflation devastated profits. In such a dire situation, Indonesia looked to the IMF and the United States for aid. Soebandrio approached Soedjatmoko in order to get help from Indonesian economists such as Widjojo Nitisastro and Mohammad Sadli. The Dekon plan focused on controlling inflation through belt-tightening measures. The Dekon would also allow market mechanism to play a greater role and give greater managerial independence to state-owned companies.

Following Sukarno's advice, Indonesian economists who trained in the West studied socialist economic models such as those in eastern Europe rather than the liberal economics scorned by Sukarno. In fact, there never were any liberal economists in Indonesia. Nonetheless, their study of strictly regulated East European socialist societies convinced them of the importance of competition and a free-market system. They ultimately agreed that the state was a central component in society. People like Mohammad Sadli saw

the importance of modernizing the leadership and saw the praetorian army as the rational choice for this. The clash in ideas between Western-trained economists and Communists lay not in socialism as such, which saw the state as the main actor, but in the relationship between state and society within the economy. Although Western-trained economists studied socialist models as implemented in various Communist countries, Indonesian Communists viewed them with suspicion. The Communist type of production policy focused on understanding rent-seeking rural structures and sought to abolish them in order to allow for a greater participation in the economy. It saw economic development in terms of class warfare and deemed Keynesian and other 'Western-based' economic models as reinforcing class divisions. It is interesting that the main target of the Communists was the 'state-controlling' class, or in Anderson's terminology the state.

This dissertation argues that in its view of the relationship between state and society the newly risen elite generation was inherently conservative in that it would eventually renege on the revolutionary promise for participation in the state and society. The state as a conservative institution required submission and control of the masses. This was the prime requirement for achieving efficiency and the ability to coordinate the various institutions of the state for implementing national planning. A national plan was needed in order to create development and thus fulfil the goals of independence. The state was inherently conservative in this regard, because the new elite saw it as their task to usher in development. This was made possible both because the army began to be more assertive in the executive sector and because of the rise of a specific type of ideology that was state-centred, developmental, and rational driven. This is essential to understand the importance of the New Order state. David Henley has shown that the New Order was so successful because it focused on pro-poor, rural development policies.[3] He has argued that institutions may have been less important than the particular individuals behind those institutions. With someone less brilliant than Widjojo Nitisastro at the helm, the New Order may not have overseen such a successful development strategy.

Even if Widjojo Nitisastro had the ability to implement sound development strategies, however, we still need to grasp how the institutions

3 David Henley, "The Agrarian Roots of Industrial Growth: Rural Development in South-East Asia and sub-Saharan Africa" in *Development Policy Review*, Vol. 30, no. 1, p. 25-47.

of national planning could have had such a significant impact on the remotest rural parts of the country. The focus on rural development was part of the developmental strategy discussed by both the military and economists and was part of the counterinsurgency strategy that saw the rural area as vital for controlling and limiting the spread of Communism. The rise of the Bappenas and its regional civil/military structures such as the Bakopda/Tjatur Tunggal point to the development of institutional matrices of control that became among the most important cornerstones of the New Order state. The rationale for the new regime was also very clear. The New Order was a social contract based on the threat of violence and the promise of development. Development was an essential component for the legitimacy of the managerial regime. It was only when development faltered at the end of the 1990s that the New Order state collapsed.

The rise of an institutional environment of control and an associated ideology that legitimized its control was perhaps one of the most successful developments of state power over society in the twentieth century. Leaving the legacy of the New Order behind to create a democratic and more liberal society is at present the challenge that the Indonesian state and society face. A thorough understanding of the rise of the New Order and what it meant institutionally and ideologically is an essential part of the creation of a democratic and participatory Indonesia.

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Curriculum Vitae

Farabi Fakih obtained his Bachelors degree in 2005 at the Universitas Gadjah Mada, Yogyakarta. In 2006, he joined the ENCOMPASS (Encountering a Common Past in Asia) programme at the Institute of History, University of Leiden. He obtained a BA and MPhil (Master of Philosophy) degree in 2007 and 2009 respectively. In September 2009, he was appointed to a four year position as *Assistent in Opleiding* (AIO) at the Faculty of Humanities, Leiden University. This position allowed him to work on a doctoral research. The research was funded by the Netherlands Organization for Scientific Research (Nederlandse Organisatie voor Wetenschappelijke Onderzoek). Since 2006 he has been appointed as lecturer at the Department of History, Faculty of Cultural Sciences, Universitas Gadjah Mada, Yogyakarta. His research interests focus on the history of the colonial and post-colonial political-economy of Indonesia and intellectual and urban history of Indonesia.



Samenvatting

Deze dissertatie positioneert de opkomst van de Indonesische ontwikkelingsstaat in de periode van de de zogenaamde *Orde Lama* (Oude Orde) van President Sukarno. Gesteld wordt dat de wortels van de militaire technocratie van de *Orde Baru* (Nieuwe Orde) van President Suharto moeten worden gezocht in instituties en ideeën die in de jaren vijftig en begin jaren zestig ontwikkeld werden. De opkomst van het managerialisme, zo kenmerkend voor de *Orde Baru*, wordt direct gerelateerd aan de internationale hulpverleningsstructuur die na de Tweede Wereldoorlog opgeld deed.

Het eerste hoofdstuk behandelt de opkomst in de jaren vijftig van een nieuwe 'kennis-elite'. Deze elite verschilde van de politieke elite die aan de macht was gekomen tijdens de revolutionaire periode (1945-1949). De nieuwe elite ontleende zijn gezag aan zijn technische en sociaal-wetenschappelijke vaardigheden. Hoewel de eerste generatie van de nieuwe elite pas begin jaren zestig een rol van betekenis ging spelen, beheerste daarvoor al een klein aantal personen dat hoger onderwijs had genoten tijdens de koloniale periode, de beleidsmakende organen van de staat. Sukarno's inspanningen om zich te bevrijden van de macht van deze experts vormen het centrale thema van dit hoofdstuk.

De tegenbeweging die Sukarno en angehauchte politici zoals Roeslan Abdoelgani in gang zetten om het op kennis gebaseerde debat te bestrijden, werd de ideologische basis van de Geleide Democratiestaat. Tegelijkertijd ontwikkelde de nieuwe kenniselite, met name zij die begin jaren zestig na het voltooien van hun proefschrift in de Verenigde Staten naar Indonesië terugkeerden, een eigen tegenbeweging die zich richtte op het beheersen van

de massa en de inzet van het leger als middelen van het noodzakelijk geachte ontwikkelingsproces.

Het tweede hoofdstuk behandelt intellectuele ontwikkelingen binnen het leger, rondom stafchef Abdul Haris Nasution, de legerleiding en de commando-opleiding, Seskoad. Het hoofdstuk gaat in op Nasutions ideeën over de rol van het leger, en meer in het bijzonder de ontwikkeling van de *Dwi-Fungsi* doctrine. Het bestudeert de ontwikkeling van de officiersopleiding voor het leger en hoe deze nieuw gecreëerde onderwijsinstelling de weg vrijmaakte voor het invoeren van nieuwe ideeën uit de Verenigde Staten en andere delen van de wereld.

Seskoad nam een belangrijke plaats in bij de ontwikkeling van de doctrines van territoriale en burgerlijke actie van het leger, die beide gericht waren op de controle van de massa of het volk. De territoriale doctrine legitimeerde de opkomst van het territoriale korps, dat met zijn macht over de regio's en de rurale gebieden een permanente militaire aanwezigheid in het binnenland van Indonesië bewerkstelligde. De burgeractie-doctrine was een ontwikkelingsdoctrine die het leger opvatte als een essentieel onderdeel voor de nationale ontwikkeling, in het bijzonder op ruraal gebied. Beide doctrines maakten deel uit van de counterinsurgency/anti-oproerstrategie die het leger in staat stelde de landelijke gebieden te beheersen. De toename van militaire hulp van de Verenigde Staten leidde ook tot het opzetten van een nieuwe aanvalstroepenelite. De legerelite werd dus zelf opgedeeld in territoriale en aanvalsmachten. Deze ontwikkeling was belangrijk voor de plaats die het leger in de Nieuwe Orde periode ging innemen.

Het derde hoofdstuk gaat dieper in op de ontwikkeling van de kenniselite. Allereerst wordt het acute tekort aan expertise aan de kaak gesteld toen de Indonesische staat eind 1949 zijn onafhankelijkheid verwierf. De staat probeerde dit probleem op twee manieren op te lossen: door het importeren van kennis en door het ontwikkelen van het hoger onderwijssysteem. Het importeren van kennis gebeurde op twee manieren: allereerst door het creëren in 1951van *Putaba*, een instituut dat Europese kennis naar Indonesië trachtte te halen. De Putaba-experts zouden moeten opgaan in het ambtelijke apparaat. Daarnaast werden buitenlandse experts geworven voor beleidsmakers- posities in het Nationale Plan Bureau en de verschillende financiële instituties.

De tweede manier om te voorzien in het tekort aan kennis was het ontwikkelen van het hoger onderwijssysteem. Uitbreiding van onderwijs vond op fenomenale schaal plaats en had als doel afscheid te nemen van de resten van het koloniale onderwijssysteem. De politieke beslissing om van het Nederlands naar het Engels over te stappen bracht ook een overstap van Nederlandse naar Amerikaanse teksten met zich mee. De introductie van het Amerikaanse *Guided Study* systeem was een onderdeel van deze verschuiving van het Nederlandse naar het Amerikaans geïnspireerde onderwijs. De rol van de buitenlandse experts werd belangrijker naar mate hun aantal steeg. De econoom Sumitro Djojohadikusomo wist steun te winnen van de UNTAA om financiering te verkrijgen en experts te sturen. Djojohadikusomo legde in zijn verschillende functies als minister van Financiën en decaan van de Economische Faculteit van de Universiteit van Indonesië contacten met verschillende experts, die betaald werden door de Ford Foundation, de VN en andere buitenlandse organen. Zo verkreeg hij invloed bij het creëren van het nationale plan en het vaststellen van een groot aantal wettelijke maatregelen die bedoeld waren om een levensvatbare ontwikkelingseconomie te creëren.

De rol van de MIT-CENIS en de import van Amerikaanse moderniseringstheorie volgden dezelfde weg. De macht van de buitenlandse experts, in het bijzonder de Canadees Benjamin Higgins, speelde een instrumentale rol in de opstelling van het 1956 Nationale Ontwikkelingsplan, was aanzienlijk. Dit was waarschijnlijk ook de reden waarom Sukarno de experts links liet liggen en bijna geobsedeerd werd door het gedrag van Sumitro Djojohadikusumo. De opkomst en macht van de buitenlandse experts was in Sukarno's ogen niets anders dan een manifestatie van het neokolonialisme.

Het vierde hoofdstuk laat zien hoe een andere belangrijke ideologie uit de Verenigde Staten, die van wetenschappelijk management, voet aan de grond kreeg door de introductie van twee nieuwe wetenschappen: bedrijfskunde en bestuurskunde. Hoewel men zich van begin af aan bewust was van een tekort aan kennis, werd pas bij het falen van het 1951 Noodplan, of Sumitro Plan, de noodzaak duidelijk om management capaciteiten te scheppen in de overheidsbedrijvensector en de bureaucratie. In 1954 maakten Edward Litchfeld en Alan C. Rankin, bestuurskundigen van Cornell University, een studiereis naar Indonesië op uitnodiging van de premier en met financiële steun van de Ford Foundation.

Op basis van hun rapport werd een reeks van maatregelingen geïmplementeerd om een nieuwe garde van bestuurskundige specialisten aan te kweken. In 1958 werden bedrijfsmanagementspecialisten Caldwell en Timms (beiden Harvard docenten) naar Indonesië gezonden om de staat van zowel het bedrijfs- als het overheidsmanagement te peilen. In 1958 waren praktisch alle Nederlandse bedrijven genationaliseerd, wat resulteerde in een golf van opengevallen bestuurlijke functies in nieuw opgerichte overheidsbedrijven. De plotselinge vraag naar Indonesische managers leidde tot een toename van het aantal bedrijfskundeopleidingen. Dit kwam ook tot uiting in het toenemende aantal publicaties op het gebied van management, zowel in het Indonesisch als in vertalingen.

De uitbreiding van managerial training education en het verheffen van de manager tot een elitecategorie was een slag in het gezicht van de zittende politieke elite die werd gedomineerd door(nog vaak Nederlands gevormde) juristen. Een en ander resulteerde in een verschuiving van nadruk op juridisch perspectief, naar bestuurlijk perspectief. Dit leidde onvermijdelijk tot conflicten tussen de juristen en de bestuurskundigen, zoals verwoord in de scherpe kritiek van Ernst Utrecht op speeches van bestuurskundigen als Prajul Atmosudirdjo en Tjia Kok Tjiang. Van belang is dat de uitbreiding van wetenschappelijk bestuur bijdroeg tot de grondwettelijke veranderingen die tijdens de Geleide Democratie plaatsvonden. Het op het tweede plan zetten van het recht en de scheiding van machten leek te stroken met de doelstellingen van de corporatieve staat onder bestuurlijke controle. Het loslaten van juridische bescherming van het individu kenmerkte in zekere zin de veranderingen die plaatsvonden in de verhouding tussen staat en maatschappij.

Betroffen het derde en vierde hoofdstuk de ontwikkeling van kennis en managers en de daaraan gerelateerde ideologische scheiding van de geesten bij de instelling van de Geleide Democratie in de late jaren vijftig, het vijfde hoofdstuk concentreert zich op de ontwikkeling van de nationale planning tijdens de periode van Geleide Democratie. Het bespreekt Sukarno's pogingen om zijn corporatieve ideeën te effectueren door grotere participatie toe te staan in de nationale economie, vooral in de pas genationaliseerde overheidsindustrie. Hiertoe werd het nieuwe *Depernas* planningsinstituut opgericht. In tegenstelling tot de door buitenlandse experts gedomineerde planningslichamen, zou Depernas een non-expert of non-professioneel

planningsinstituut belichamen: een instituut waarin de rol en participatie van het volk een hoofdrol zouden spelen.

Het falen van Depernas en het mislukken van de pogingen om de economie open te stellen voor grotere deelname creëerde onvermijdelijk een tweedeling tussen de communisten en de managers. Terugkerende Indonesische studenten die hun doctoraat hadden behaald in diverse sociale wetenschappen kregen langzaam aan belangrijke functies binnen de overheid. LIPI-LEKNAS en andere professionele organisaties naast de universiteiten werden kennisvijvers van nieuwe professionals na hun terugkeer in Indonesië. Het falen van Depernas leidde tot de oprichting van *Bappenas*, dat ongeveer zoals het centrale planningslichaam uit de jaren vijftig opereerde, al hoewel met meer invloed in de regio's en zoals gezegd veel sterker geïntegreerd in het militaire territoriale bestuur. Na het falen van de corporatistische aanpak stuurde het presidentiële kabinet vanaf 1962 aan op centralisering. Zo werd in veel opzichten de structuur van de Nieuwe Orde al in de periode 1962-1965 geïmplementeerd.

Het zesde hoofdstuk bespreekt de implementatie van managerialistische wetenschappen in de vorm van verschillende *social engineering* projecten die gericht waren op de overheidsdienst en de grote massa. Social engineering was een belangrijk onderdeel van de Geleide Democratie en was een onmisbaar element in de revolutionaire doelstellingen. Het hervormen van de Indonesiër was onderdeel van het nationale streven. Dat zowel managers als staatsideologen rondom Sukarno social engineering steunden, toont wederom de verenigbaarheid aan van de Geleide Democratie met de *Managerial State*.

Social engineering werd uitgeoefend via tal van organisaties. Ten eerste via het Nationale Bestuursinstituut, dat naast vele andere administratieve organisaties ook managers opleidde. Ten tweede werd een aantal organisaties aangewezen om het overheidsapparaat te observeren, te indoctrineren en van nieuwe middelen te voorzien. De Bapekan voerde observaties en onderzoek uit om problemen van inefficiëntie en slechte organisatie te analyseren. De Paran werd belast met indoctrinatie en mediatie. De ontwikkeling van indoctrinatiecursussen en de omvorming van het overheidsapparaat strookten met de idealen die werden omhelsd door managementspecialisten die in Indonesië werkten.

Indoctrinatie van traditionele waarden als *gotong royong* werden in feite gelegitimeerd door studies die waren uitgevoerd door managementspecialisten

die in de Verenigde Staten hadden gestudeerd. De herontdekking van traditionele waarden werd dus geïncorporeerd in de indoctrinatiestrategie van managementspecialisten en andere sociale wetenschappers. Belangrijk is dat veel van deze technieken en waarden later werden gebruikt door de Nieuwe Orde.

Het zevende en laatste hoofdstuk bespreekt de ontwikkeling van economisch denken in de laatste jaren van de Geleide Democratie. Het toont het groeiende conflict tussen de 'productiebenadering' van de communisten tegen de monetaire benadering van westers-getrainde economen. In 1962 leidde het falen van de economische planning en mismanagement tot financiële problemen geleid met als resultaat toenemende inflatie, wat weer een feitelijk faillissement van een groot deel van de economische sectoren in overheidshanden tot gevolg had.

De droevige economische positie dwong de regering voor hulp aan te kloppen bij het IMF en de westerse wereld. Een herstelprogramma genaamd Deklarasi Ekonomi, of Dekon, werd aangekondigd. In dit programma werkten westers getrainde Indonesische economen samen met hun westerse tegenhangers om een programma te ontwikkelen om inflatie te verminderen, het overheidstekort te verminderen, en westerse leningen te ontvangen via westerse financieringsorganisaties.

Het falen van Dekon was de uitkomst van zowel de afkeer van Sukarno van elke vorm van de impopulaire versoberingmaatregelen die een essentieel onderdeel vormden van het plan, als de afkeer van communisten van elke vorm van monetaire of Keynesiaanse benaderingen. Tegelijkertijd probeerde de communisten hun 'productiebeleid' door te duwen waarin rentezoekende structuren worden geanalyseerd in de rurale gebieden en waarin renteverlaging wordt gezocht door retooling. Dit hield herstructurering in van de rurale gebieden ten nadele van het leger, de bureaucratie en andere traditionele vormen van autoriteit. Deze benadering leidde tot een scherp conflict tussen de communisten en de meer traditionele krachten naast de militaire en burgerlijke bestuurdersklasse. Tegelijkertijd begonnen veel westers getrainde economen die socialistische economieën in Oost-Europa(Joegoslavië en Hongarije) te bestuderen waar ruimte gemaakt werd voor incorporatie van de marktvormen en analyse. Deze hybride vorm zou voortgezet worden onder de Nieuwe Orde met behoud van de traditionele vormen van autoriteit. De

uitroeiing van de communisten in 1965 betekende in feite het einde van deze productiebenadering.

Deze studie toont aan dat er een positieve correlatie bestaat tussen de Geleide Democratie staat en de Nieuwe Orde staat, met name in de ontwikkeling van militaire en burgerlijke kenniselites, de opkomst van ideeën over wetenschappelijk bestuur en modernisatietheorie, het voortbrengen van managers en de opkomst van een managerial staat die met gebruik van social engineering het overheidsapparaat en de brede bevolking stevig in de greep hield. De ontwikkeling in de sociale wetenschappen van een machtsstrategie wijst op de genealogische eenheid in de ideologie van de staat-samenlevingsrelatie in zowel de Geleide Democratie als de Nieuwe Orde regimes.

Ringkasan

Tesis ini membahas kenaikan dari negara pembangunan Indonesia pada zaman Demokrasi Terpimpin. Argumen utamanya adalah bahwa akar dari teknokrasi-militer Orde Baru dapat ditemukan dalam beragam perkembangan kelembagaan dan ide-ide semasa tahun 1950an dan pertengahan awal dari tahun 1960an. Tesis ini juga berargumen bahwa kenaikan ideologi managerialisme sangat penting untuk dapat memahami mengapa lembaga-lembaga dan ide-ide tertentu dapat berkembang dan seberapa penting peranan dari struktur bantuan internasional yang terbina setelah Perang Dunia Kedua.

Bab pertama membahas kemunculan dari elit baru tahun 1950an yang disebut sebagai elit 'ahli'. Elit ini berbeda daripada elit politik yang telah mengambil alih kekuasaan pada zaman revolusi (1945-1949). Elit baru ini memperoleh otoritas mereka dari keahlian teknis dan ilmu sosial mereka. Walaupun generasi pertama dari elit itu baru dapat peranan yang lebih penting hanya pada awal tahun 1960an, penguasaan dari orang-orang yang mendapatkan pendidikan tinggi pada masa kolonial terhadap badan-badan pembuat kebijakan negara itu penting. Usaha Sukarno untuk merebut kontrol dari kaum ahli adalah tajuk utama bab ini.

Cara Sukarno dan politisi lainnya seperti Roeslan Abdulgani membangun wacana tandingan dari wacana yang dibangun oleh ahli digunakan sebagai pondasi bagi negara Demokrasi Terpimpin. Sebagai tandingan, ahli-ahli baru, khususnya ekonom-ekonomi yang baru balik ke Indonesia setelah mendapatkan gelar doktor mereka di Amerika Serikat pada tahun 1960an membangun wacana tandingan pula yang fokus pada pengontrolan massa

dan memberi peran serta yang besar kepada angkatan darat dalam proses pembangunan.

Bab kedua membahas perkembangan angkatan darat pada masa ini, khususnya dalam klik intelektual Kasad Abdul Haris Nasution dan Sekolah Staf dan Komando Angkatan Darat atau Seskoad. Bab ini membahas perkembangan ide-ide Nasution mengenai peranan angkatan darat, khususnya dalam hubungannya dengan doktrin dwi-fungsi. Bab ini juga melihat perkembangan pendidikan perwira angkatan darat dan bagaimana lembaga-lembaga pendidikan baru ini membuka jalan untuk pengimporan ide-ide baru dari Amerika Serikat dan bagian lain dunia.

Seskoad adalah situs penting bagi pengembangan doktrin territorial dan doktrin civic action angkatan darat, yang keduanya fokus pada isu kontrol populasi. Doktrin territorial melegitimasi kemunculan korps territorial yang mana otoritasnya atas daerah-daerah dan pedesaan mengekalkan keberadaan tentara pada wilayah pedalaman Indonesia. Doktrin civic action merupakan doktrin pembangunan yang menempatkan tentara sebagai komponen inti dalam pembangunan bangsa, khususnya pada tingkatan pedesaan. Kedua doktrin ini adalah bagian dari strategi counter-insurgency atau strategi penumpasan pemberontakan yang memungkinkan penguasaan tentara terhadap daerah pedesaan. Bantuan dari Amerika Serikat berperan dalam pembentukan pasukan-pasukan gerak cepat. Elit tentara akhirnya terpecah dalam dua bagian: elit territorial dan elit gerak cepat. Perkembangan ini penting untuk memahami peranserta tentara dalam masa Orde Baru.

Bab ketiga membahas lebih dalam lagi perkembangan elit ahli. Pertama-tama, bab ini fokus pada permasalahan keterbatasan jumlah ahli yang parah pada saat Indonesia mendapatkan kedaulatannya pada akhir tahun 1949. Bab ini melihat dua cara negara berusaha menjawab tantangan. Pertama adalah penciptaan lembaga yang mengimpor ahli-ahli Eropa ke Indonesia bernama Putaba atau Pusat Tenaga Bangsa Asing pada tahun 1951. Ahli-ahli Putaba di-integrasikan dalam korps PNS. Kedua adalah impor ahli khusus untuk jabatan-jabatan dalam Badan Perantjang Nasional dan lembaga-lembaga keuangan Indonesia.

Jawaban kedua terhadap permasalahan kurangnya tenaga ahli adalah lewat pengembangan sistem pendidikan tingkat tinggi nasional. Ekspansi pendidikan tinggi nasional amat mencengangkan dengan semangat utama meninggalkan sistem pendidikan kolonial. Pergeseran dalam penggunaan

buku teks Belanda menuju Amerika menandakan pergeseran bahasa pendidikan dari bahasa Belanda ke Inggeris. Perkenalan sistem studi terbimbing atau guided study dari Amerika Serikat adalah bagian dari pergeseran pengaruh sistem pendidikan dari Belanda ke Amerika Serikat.

Peran serta ahli asing tumbuh seiring dengan usaha negara mengimpor mereka. Ekonom Sumitro Djojohadikusumo memperoleh dukungan UNTAA atau Badan Pembantu Administrasi PBB dalam hal pendanaan dan pengiriman ahli ke Indonesia. Dalam fungsinya sebagai Menteri Keuangan maupun sebagai Dekan Fakultas Ekonomi Universitas Indonesia, Djojohadikusumo membuka jalan bagi beragam ahli-ahli asing yang dibayar oleh Ford Foundation, PBB ataupun badan-badan asing lainnya guna mendapatkan otoritas dalam perancangan rencana nasional dan dalam merancang beragam peraturan guna menciptakan pertumbuhan ekonomi yang berkelanjutan. Peran serta MIT-CENIS dan pengimporan teori-teori modernisasi dari Amerika Serikat masuk lewat jalur ini. Menguatnya ahli-ahli asing, seperti terlihat dalam kasus ahli dari Kanada Benjamin Higgins dan peran-sertanya dalam pembentukkan Rencana Lima Tahun Nasional pertama tahun 1956 sangat penting. Ini kemungkinan adalah alasan utama mengapa Sukarno menjadi curiga terhadap ahli-ahli dan menjelaskan ketidak-sukaan yang ditujukannya terhadap sosok Sumitro Djojohadikusumo. Bagi Sukarno, kemunculan dari ahli asing yang berotoritas penuh, tampak seperti manifestasi dari neokolonialisme.

Bab keempat membahas pengimporan ideologi penting lainnya dari Amerika Serikat: *scientific management*. Impor ideologi ini ditandai oleh masuknya dua ilmu baru: manajemen bisnis dan administrasi publik. Walaupun sudah ada kesadaran akan keterbatasan keahlian sejak awal kemerdekaan, kegagalan dari Rencana Sumitro atau Rencana Urgency tahun 1951 menekankan pentingnya pembangunan kemampuan manajerial baik dalam usaha milik pemerintah maupun dalam birokrasi. Pada tahun 1954, ahli ilmu pemerintahan Edward Litchfeld dan Alan C. Rankin dari Cornell melakukan perjalanan studi ke Indonesia atas dasar undangan Perdana Menteri dan dengan bantuan keuangan dari Ford Foundation. Setelah laporan mereka keluar, serangkaian perkembangan dilakukan guna membangun sistem produksi ahli-ahli ilmu administrasi. Pada tahun 1958, ahli manajemen bisnis Lynton K. Caldwell dan Harold L. Timms dikirim ke Indonesia guna melihat kondisi manajemen bisnis dan negara. Sampai

tahun 1958, hampir semua perusahaan milik Belanda telah dinasionalisasi yang mengakibatkan peluberan jumlah pekerjaan manajerial dalam perusahaan-perusahaan milik negara yang baru itu. Ekspansi jumlah manajer Indonesia mengakibatkan ekspansi pula kursus-kursus manajemen bisnis. Ini juga terlihat dalam peningkatan jumlah publikasi bahasa Indonesia dan terjemahan dalam bidang ilmu manajemen.

Ekspansi pendidikan manajerial dan kaum manager sebagai salah satu kategori elit menjadi bagian dari ancaman terhadap elit politik yang didominasi oleh lulusan jurusan hukum. Ekspansi scientific management juga mengakibatkan pergeseran penekanan dari sudut pandang legal menuju sudut pandang manajerial. Ini mengakibatkan konflik antara ahli hukum dan kaum manajerialis, sebagaimana tergambarkan dalam kritikan Ernst Utrecht terhadap pidato ahli administrasi negara Prajudi Atmosudirdjo dan Tjia Kok Tjiang. Sama pentingnya, ekspansi scientific management itu mendukung perubahan konstitusional yang dilakukan dalam Demokrasi Terpimpin. Pergeseran menjauhi supremasi hukum (rule of law) dan pembagian fungsi kekuasaan (spearationof power) tidak berkonflik dengan tujuan-tujuan negara korporatif dibawah penguasan manajerial. Kemunculan dari ilmu yang mendukung pergeseran menjauhi perlindungan hukum pada tingkat individu adalah bagian penting dalam perubahan hubungan-hubungan masyarakat dan negara.

Jika bab tiga dan empat fokus pada perkembangan keahlian dan manajer dan akibat-akibat ideologis dari perkembangan itu pada masa sebelum Demokrasi Terpimpin diakhir tahun 1950an, bab kelima fokus pada perkembangan usaha perencanaan nasional semasa zaman Demokrasi Terpimpin. Bab ini membahas usaha-usaha Sukarno untuk mengetrapkan ide-ide korporatifnya dengan cara membuka partisipasi yang lebih besar dalam ekonomi nasional, khususnya dalam industri-industri yang baru dinasionalisir dan, khususnya, dalam pembentukkan lembaga perencana nasional baru bernama Depernas. Berbeda dengan badan perencana yang lalu yang didominasi oleh ahli-ahli asing, Depernas merupakan pengejawantahan dari sebuah badan perencana non-ahli atau non-profesional: sebuah lembaga dimana peran dan partisipasi rakyat dapat diakomodasi.

Kegagalan daripada Depernas dan kegagalan dari pembukaan perekonomian untuk partisipasi lebih besar merujuk pada oposisi yang makin kuat antara Komunis dan kaum manajer. Mahasiswa-mahasiswa Indonesia

yang balik setelah memperoleh gelar Doktor dalam berbagai ilmu sosial mulai mendapatkan posisi-posisi penting dalam pemerintahan. Kenaikan dari lembaga LIPI-LEKNAS dan organisasi-organisasi kaum profesional lainnya dan universitas-universitas menjadi tempat baru buat ahli-ahli ini. Kegagalan Depernas mengakibatkan pembentukkan daripada Bappenas, yang berfungsi sebagai badan perancang yang terpusat yang mirip dengan bentuk badan perancang negara tahun 1950an, tetapi dengan kekuatan yang lebih besar atas daerah dan lebih terintegrasi dengan pemerintahan territorial militer. Dipusatkan dibawah kantor kepresidenan semenjak 1962 merupakan salah satu jawaban terhadap kegagalan korporatisme. Dalam banyak hal, struktur negara Orde Baru sedang dibentuk dalam periode 1962-1965.

Bab ke-enam membahas penerapan daripada ilmu-ilmu manajerial dalam bentuk beragam proyek-proyek social engineering yang ditujukan kepada pegawai negeri maupun rakyat Indonesia kebanyakan. Social engineering merupakan komponen penitng dalam Demokrasi Terpimpin dan merupakan bagian inheren dari tujuan-tujuan revolusionernya. Pembentukan ulang manusia Indonesia merupakan bagian dari tujuan nasional. Kenyataan bahwa baik manajer maupun ideolog negara macam Sukarno mendukung social engineering menandakan kecocokkan Demokrasi Terpimpin dengan negara manajerial.

Social engineering diterapkan melalui serangkaian organisasi. Pertama, Lembaga Administrasi Negara, bersama dengan beberapa organisasi administasi lainnya, didirikan guna membentuk kaum manajer. Kedua, serangkaian organisasi yang dibentuk guna melakukan pengawasan, indoktrinasi dan retooling dalam korps pegawai negeri. Bapekan dibuat guna melakukan pengawasan dan investigasi agar dapat menganalisis permasalahan seputar ketidak-efisienan dan kegagalan organisasi. Paran dibuat untuk melakukan indoktrinasi dan retooling. Pengembangan kursus-kursus indoktrinasi dan usaha me-retool PNS sejajar dengan ideal dari re-management yang telah diutarakan beragam ahli manajemen yang bekerja di Indonesia. Walaupun gagal dalam menciptakan birokrasi yang efisien dan, bahkan, memperburuk permasalahan dengan mempolitisir lebih lanjut posisi dalam PNS, retooling dan indoktrinasi sejajar dengan semangat re-management.

Indoktrinasi nilai-nilai tradisional macam gotong royong dilegitimasi oleh studi-studi yang dilakukan oleh ahli-ahli manajemen Indonesia

yang belajar di Amerika Serikat. Penemuan kembali nilai-nilai tradisional diintegrasikan dalam strategi indoktrinasi yang dirancang oleh ahli-ahli manajemen dan ilmuan sosial lainnya. Menariknya, banyak dari teknik dan nilai ini yang digunakan oleh Orde Baru.

Bab ketujuh dan terakhir membahas mengenai perkembangan pemikiran ekonomi selama tahun-tahun terakhir dalam Demokrasi Terpimpin. Bab ini menunjukkan konflik yang makin menjadi antara 'pendekatan produksi' yang ditawarkan oleh PKI dengan kebijakan moneter yang ditawarkan oleh ekonom yang dilatih di Barat. Pada tahun 1962, kegagalan dari perencanaan ekonomi dan mismanajemen telah mengakibatkan permasalahan hot money yang menjadi-jadi. Pembiayaan defisit lewat pencetakan uang menyebabkan peningkatan inflasi yang telah mengakibatkan terjadinya kebangkrutan dalam sebagian besar sektor perekonomian yang dikuasai oleh pemerintah.

Keadaan perekonomian yang parah ini memaksa pemerintah untuk mendekati IMF dan dunia Barat untuk mendapatkan bantuan. Sebuah program rehabilitasi bernama Deklarasi Ekonomi atau Dekon diumumkan. Didalam program ini, ekonom Indonesia beserta ekonom dari Barat merancang program guna menangani permasalahan inflasi, mengurangi defisit pemerintah dan mendapatkan hutang dari Barat lewat organisasi perkumpulan dana Barat.

Kegagalan dari Dekon adalah akibat dari ketidak-sukaan Sukarno terhadap bentuk kebijakan uang ketat yang tidak populer dimata rakyat dan ketidak-sukaan PKI terhadap bentuk-bentuk kebijakan moneter ataupun Keynesian. PKI mendorong 'kebijakan produksi' mereka yang berusaha menganalisis posisi-posisi rente dalam masyarakan lewat penerapan retooling. Proposal ini menginginkan adanya reformasi dalam kawasan pedesaan yang merugikan otoritas militer, birokrat ataupun otoritas tradisional lainnya. Pendekatan ini mengakibatkan konflik yang menjadi antara kaum Komunis dengan kekuatan-kekuatan tradisional lainnya beserta kelas manajerial militer/sipil yang baru. Disisi lain, banyak dari ekonom lulusan Barat yang mulai meneliti ekonomi-ekonomi sosialis di Eropa Timur tapi dengan cara dimana kekuatan pasar dapat diintegrasikan. Ide-ide hibrid ini akan terus berlanjut dalam masa Orde Baru, beserta pertahanan dari bentuk-bentuk otoritas tradisional lainnya. Kehancuran total dari PKI menyebabkan kehilangan legitimasi dari pendekatan produksi.

Studi ini menunjukkan bahwa ada hubungan positif antara negara Demokrasi Terpimpin dan negara Orde Baru, khususnya dalam hubungannya dengan pembentukkan elit-elit ahli militer dan sipil, kenaikkan ide-ide scientific management dan teori modernisasi, produksi kaum manajer dan kenaikkan daripada negara manajerial dan menjauhnya Indonesia dari bentuk-bentuk negara liberal serta penggunaan social engineering sebagai cara kontrol baik PNS maupun rakyat. Perkembangan dalam ilmu sosial beragam strategi kontrol menunjukkan satunya genealogi wacana dan ideology perhubungan negara dan masyarakat dalam Demokrasi Terpimpin maupun Orde Baru.



PANCASILA



1. KETUHANAN YANG MAHA ESA
2. KEMANUSIAAN YANG ADIL DAN BERADAB
3. PERSATUAN INDONESIA
4. KERAKYATAN YANG DIPIMPIN OLEH HIKMAT KEBIJAK-SANAAN DALAM PERMUSYAWARATAN / PERWAKILAN
5. KEADILAN SOSIAL BAGI SELURUH RAKYAT INDONESIA



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The Indonesian effort to create a broad-based democratic and participatory society during the 1950s was tragically hampered by the established elite's inherent distrust of the liberal institutions meant to safeguard individual liberty from state tyranny: the rule of law and the court system, the limitation of executive power or *triaspolitica* and a relatively open economy. Both the older nationalist generation and the newer managerial/expert generation grew up in a milieu that was hostile, or at least indifferent, to liberal ideas and institutions. Those who championed non-state participation did so through corporatist means by prying open the state and the economy, i.e. government bodies and company boards, to non-state actors, usually labour or other forms of social organization.

